Canadian Petroleum Industry

1990 Monitoring Report

First six months

Canada

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The Honourable Jake Epp
Minister of Energy, Mines and Resources
Ottawa, Ontario

Dear Minister:

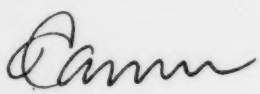
I am pleased to submit this report which describes the financial performance of the oil and gas industry in Canada during the first six months of 1990. The report is based on data from 123 companies, accounting for some 90% of total revenues of the petroleum industry. Therefore, the data reflect fairly the performance of the entire industry in Canada.

During the first six months of 1990, industry cash flow fell 11% to $4.2 billion and net income dropped 29% to $795 million. Overall capital outlays increased 2% to $3.7 billion. This increase, together with the fall in cash flow, resulted in a reinvestment rate of 87%, compared with the reinvestment rate of 74% in the first half of 1989.

However, these results for the first six months of 1990 provide limited insight into the industry's current health. Supply fears resulting from heightened political and military instability in Persian Gulf countries, and the international trade embargo of Iraq and Kuwait by United Nations members have boosted international crude oil prices to a range of between $30 and $40 U.S. per barrel in the third quarter of 1990. The impact on cash flow and net income of higher, if unstable, crude oil prices has been reflected in chapter 7 of this report.

For this reason, the PMA has taken the unprecedented step of presenting data obtained from Statistics Canada on the financial results for the third quarter of 1990 to assess the impact of higher prices on the industry's net income and cash flow. For the first nine months of 1990, net income rose 14% while cash flow did not change compared with the same 1989 period. The improvement in net income for the first nine months of 1990 yields an annualized rate of return on equity of 5.3%. The report for the full year 1990 will show a more complete picture.

Respectfully submitted,



Pierre Camu
Chairman

December 4, 1990

New and Noteworthy

New information is presented in this Monitoring Report and, as in the past, it is crucial that the report be read with a number of caveats to which attention is drawn under "Noteworthy".

New

- A chapter on selected financial results of the petroleum industry for the third quarter and the first nine months has been included in this report.

Noteworthy

- A number of companies transferred assets to newly created entities (such as partnerships) and elected more than one year–end in 1988 for tax purposes, to rationalize their operations and to adjust to changes in the tax system. As the year–ends of the new entities extended into 1989, their results for income tax purposes were reported in 1989. Consequently, large unused tax pool balances were not reported in 1988, although the corresponding property remained within the same reporting entities. The anomaly was eliminated in 1989, when all income tax items for the new entities were included with those of the reporting enterprise. The above situation also affected the reporting of current and deferred income taxes for book purposes. While the 1989 results indicated increased deferred taxes and reduced current taxes, the 1990 current taxes were very high, with corresponding reductions for deferred taxes as the process was reversed.

- Restructuring of the Canadian petroleum industry continued in 1990, due to a number of acquisitions and mergers. Among the major mergers and acquisitions are:
  - Mark Resources Inc. amalgamated with one of its subsidiaries, 413454 Alberta Inc. (formerly Domtar Energy Inc.).
  - Nova Corporation of Alberta amalgamated two of its subsidiaries (Polysar Limited and Petrosar Limited) to form Nova Petrochemicals Inc.
  - Early in the year, First City Capital Markets Ltd. gained control of Westar Group Ltd.
  - Home Oil Company Limited acquired Esso Resources Canada Ltd.'s 23% interest of Leismer East Gas Unit #1.
  - Canterra Energy Ltd. sold assets in the Provost area to Silver Ridge Resources Inc.
  - Bonanza Oil & Gas acquired SOPOC Petroleum Ltd. Both companies were subsidiaries of Poco Petroleums Ltd.
  - Conwest Exploration Company acquired Minerals Resources International and Barons Oil Limited.
  - Encor Inc. purchased oil and gas properties from Mobil Oil Canada, Ltd.
  - Gulf Canada Resources Limited purchased the 22.8% share of Interhome Energy Inc. previously held by Imperial Oil Limited.
  - Intensity Resources Ltd. acquired Black Gold Oil & Gas Ltd.
  - British Gas PLC acquired Telesis Oil and Gas, a subsidiary of Consumers' Gas Co. Ltd.
  - Esso Resources disposed of some of its assets. The acquiring parties included Chevron Canada Resources Limited, CS Resources Ltd., OMV (Canada) Ltd., and Poco Petroleums Ltd.
  - American Eagle sold assets to an unnamed party.
  - Shell Canada Limited acquired certain Amoco Canada Petroleum Company Ltd. assets.
  - Poco Petroleums Ltd. and Opinac Exploration Limited exchanged various oil and gas properties subsequent to a joint acquisition in 1989.
  - Amoco Canada Petroleum Company Ltd. sold assets to Aberdeen Petroleums Limited and to Poco Petroleums Ltd.
  - Intensity Resources Ltd. and Northrock Resources Ltd. acquired assets from Petrocorp Exploration Canada Ltd.

- Appendix A1 'Year in Review' sets out in detail events worthy of note.

- Many numbers in the body of the report are rounded to improve readability. Percentage changes, however, are calculated on the basis of detailed figures shown in Appendix B.

- While 146 companies have reported to the PMA (see Appendix E), this report is based on data from 123 companies. Twenty-three small companies have been excluded due to the lack of comparable data for the preceding period.

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Summary and Highlights

General Economic Background

Canada's real Gross Domestic Product (GDP) grew at an average annual rate of 1.8% to $573 billion (1986 dollars) during the first half of 1990. Business fixed capital formation dropped by 1.4% to $113 billion. Real personal expenditures on consumer goods and services grew by 2.3% to $342 billion in the first half of 1990. Government investment rose by 13% to $16 billion while government current expenditures rose by only 1.8% to $108 billion. Imports increased 1.7% and exports grew by 4% above first half 1989 levels. The petroleum industry contributed 10.3% of Canada's real gross domestic product in the first six months of 1990, up from 10.2% in the comparable period of 1989.

Inflation, as measured by the Consumer Price Index, increased during the current period at an annual rate of 5% against 4.7% in the first half of 1989. Unemployment dropped from 7.6% to 7.5% as employment grew from 12.4 million to 12.6 million persons.

Financial Performance

Total Operations

- Profits: *Net income from total operations declined 29% or $320 million to $795 million in the first six months of 1990 vs. 1989.* Higher overall revenues, and lower interest charges and deferred income taxes were more than offset by higher feedstock costs, federal sales and excise taxes, and current income taxes.

- Total net income for foreign-controlled companies fell 10% to $550 million in the first half of 1990 as lower net income was recorded for downstream and foreign activities, although net income was higher for 'other Canadian' operations and unchanged for upstream activity. Net income for Canadian-controlled companies dropped 51% to $245 million due to decreases for upstream, downstream and 'other Canadian' operations but increased slightly for foreign activities.

- *The rate of return on shareholders' equity* for the total Canadian petroleum industry was 4.1% in the first six months of 1990 against 5.2% in the corresponding 1989 period. The five-year average rate of return for the period ending June 1990 decreased to 2.8% from an average of 3.7% for that ending in 1989. *The return on the capital employed* by the Canadian petroleum industry in the first half of 1990 declined to 4.1% from 5% in 1989.

Upstream Operations

- *Revenues from upstream operations* were virtually unchanged at $8.7 billion in the first six months of 1990. The negative effect of lower crude oil production and unchanged crude oil prices was offset by increased marketable natural gas prices and higher revenues for gas plant liquids. Upstream net income fell 22% to $385 million in the first six months of 1990 over the corresponding 1989 period. The reduction was due to higher operating costs and current income taxes more than offsetting lower interest charges and deferred income taxes. Cash flow declined 9% to $3 billion.

Downstream Operations

- *Total downstream sales revenues* increased 11% to $14.8 billion as a result of the flow–through to consumers of higher federal sales and excise taxes, up 17%, increased cost of goods sold (which also includes refinery maintenance and operating costs), up 19%, and higher interest charges. *Net income* fell 53% to $320 million in 1990 from $685 million in the first half of 1989 due to the combined weakness of the oil products and petrochemical business segments.

Net income for oil products operations fell 58% to $170 million in the first six months of 1990 causing the return on capital employed to decrease to 4% from 8% in the corresponding 1989 period. Cash flow declined 32% to $530 million in the first half of 1990.

Sources and Uses of Funds

Internal Cash Flow

- *Internal cash flow from total operations decreased 11% to $4.2 billion* in the first six months of 1990 due to the impact of increased feedstock costs, current income taxes, and sales and excise taxes. Cash flow decreased in all industry segments with the single exception of 'other Canadian operations'.

Net External Sources

- *Net external sources of funds were $800 million for the first half of 1990 vs. $5.2 billion in the first six months of 1989.* New long-term debt exceeded redemptions by $395 million compared with $3.7 billion in the first half of 1989. New equity, net of repurchases, was $405 million compared with $1.5 billion in the first six months of 1989.

Discretionary Uses

- In the first half of 1990, the industry increased its net capital outlay by 5% to $3.6 billion. Dividend payments fell 3% from $800 million to $775 million. In both the first halves of 1989 and 1990, the excess of 'All Other Uses' over 'All Other Sources' resulted from the purchase of assets and takeover activity. The net draw-down of working capital of $105 million in the first half of 1989 compared to a net draw-down of $120 million in the working capital position in 1990.

Capital Expenditures

- *Total Capital Expenditures* in the first six months of 1990 increased 2% to $3.7 billion, with domestic expenditures increasing 1% to $3.4 billion and outlays abroad rising 26% to $310 million. Upstream spending, representing 75% of the total, rose 2% to $2.7 billion in 1990.

- *Exploration Expenditures in Canada* rose 3% to $1.4 billion in the first half of 1990, with expenditures increasing 8% in the provinces and decreasing 30% on Canada Lands. Expenditures on Canada Lands accounted for 9% of the total vs. 14% in the first six months of 1989. Outlays by foreign-controlled companies were 6% lower in 1990 than in the first half of 1989, while those for Canadian-controlled companies were up by 13%.

- *Downstream Expenditures* declined 5% to $410 million in the first six months of 1990 over 1989. Increased expenditures for refineries were more than offset by decreased spending on petrochemical plants and marketing outlets.

Reinvestment Rates

- Net capital expenditures absorbed 87% of the industry's internal cash flow in the first half of 1990, up from 74% in 1989. Upstream capital expenditures were 91% of cash flow, up 13 percentage points from the first six months of 1989.

Dividends

- *Dividends decreased 3% to $775 million in the first half of 1990.* Dividends by Canadian-controlled companies increased 7% to $360 million for a payout rate of 145%. Payments by foreign-controlled companies fell 10% to $415 million for a payout rate of 76%.

Comparative Performance: Petroleum and Other Industries

Net Income

- According to Statistics Canada data, the petroleum industry's net income from Canadian operations – exclusive of Crown corporations' results – decreased 22% to $740 million in the first half of 1990, compared with a 29% decrease to $8.4 billion for all other non-financial industries. The petroleum industry's net income for 1990 represented 8% of all non-financial industries' net income.

Capital Expenditures

- The petroleum industry's capital expenditures in Canada increased 4% in the first six months of 1990 over 1989. Capital expenditures of non-financial industries excluding petroleum decreased 3%. As a result, the petroleum industry represented 19% of total non-financial industries' capital expenditures compared with 18% in the first half of 1989.

The following summaries and the related sections of the report compare the full year 1989 with the full year 1988 for the subjects mentioned. The underlying data were not available when the 1989 Monitoring Report was prepared.

International Flows of Funds: 1989 vs. 1988

The international flows of funds related to long-term capital movements to and from the Canadian petroleum industry resulted in a net outflow of $1.8 billion in 1989 — $1.6 billion in the current account and $265 million in the capital account.

Interest and dividend outflows (net of inflows) of $935 million and $470 million respectively, coupled with net external business service payments of $155 million, resulted in an overall net current account outflow of $1.6 billion.

Capital Structure: 1989 vs. 1988

Total capital employed in the Canadian petroleum industry was $63.7 billion in 1989, up from the $61.4 billion employed in 1988. Long-term debt represented approximately 37% of industry capitalization in 1989 and equity, 63%, a 3 percentage points decrease in the equity component compared to the previous year.

Income Tax-Related Data: 1989 vs. 1988

Taxable income of the petroleum industry declined 17% to $2.2 billion in 1989 from $2.7 billion in 1988 due to a weak downstream performance. Consequently, income taxes payable to federal and provincial governments declined 18% to $675 million in 1989 from $820 million in 1988.

The last summary provides an analysis of the industry's financial results using third quarter Statistics Canada data to put the recent crude oil price increase into perspective.

Additional Financial Results

Net income from total operations rose from $280 million in the third quarter of 1989 to $785 million in the corresponding 1990 period. Internal cash flow increased 27% to $2.2 billion. Net income for the first nine months rose 14% to $1.6 billion over the same 1989 period. Cash flow was unchanged over the nine month period.

1

Financial Performance

Total Operations: Net Income and Cash Flow

Petroleum industry revenues rose 7% to $26 billion in the first six months of 1990 over the same period in 1989. While upstream revenues were virtually unchanged, those of downstream rose 12% as a result of the flow-through to consumers of higher feedstock costs and increased federal sales and excise taxes.

Net income from total operations declined 29% ($320 million) to $795 million in the first six months of 1990 vs. 1989. Upstream profits fell 22% ($110 million) to $385 million due to higher operating costs. Downstream profits fell 53% ($360 million) to $320 million as a result of a decline of 58% ($235 million) in the net income of the oil products segment, and a fall of 46% ($130 million) in the petrochemical segment's net income from the first six months of 1989 (Appendix B9). Net earnings of other Canadian operations improved from a loss of $165 million to a loss of $5 million in the first six months of 1990 mainly due to gains from the sale of assets. Profits of foreign operations were virtually unchanged at $95 million in the first half of 1990 over the comparable 1989 period.

Internal cash flow from all business segments decreased $495 million (11%) to $4.2 billion.

Higher overall revenues, reduced interest charges (down 3%) and lower deferred income taxes were more than offset by higher feedstock costs (up 18%), federal sales and excise taxes (up 17%) and current income taxes (up 26%) in the first six months of 1990. Most of the increase in current income taxes was due to deferral of tax liability from 1989 to 1990 following a corporate restructuring.

Table 1.
Overview of Total Operations in billions of dollars[a]
First six months

	1989	1990	Change	Change %
Total Revenues	**24.4**	**26.2**	**1.8**	**7**
less:				
Operating Costs	5.6	5.8	0.2	3
Interest Expenses	1.2	1.2	–	– 3
Non-income Taxes and Royalties	3.6	3.9	0.3	10
Other Cash Expenses	8.8	10.4	1.6	18
Current Income Taxes				
Federal[b]	0.4	0.5	0.1	18
Provincial	0.1	0.1	–	85
Internal Cash Flow	**4.7**	**4.2**	**– 0.5**	**– 11**
less:				
Write-offs[c]	3.3	3.4	0.1	1
Deferred Taxes	0.2	–	– 0.2	– 99
Net Income before Unusual Items	1.1	0.8	– 0.3	– 28
Extraordinary Items	–	–	–	–
Net Income	**1.1**	**0.8**	**– 0.3**	**– 29**

Notes:
(a) Figures may not add due to rounding. See Appendix B1 for detail by operating segment.
(b) Federal Income Tax includes Large Corporations Tax.
(c) The components of 'write-offs' are non-cash charges and exploration and development expenditures charged to current operations.

Net Income by Sector

Net income for the petroleum industry decreased 29% ($320 million) to $795 million in the first half of 1990 over the same 1989 period. While net income of Canadian-controlled companies dropped by 51% ($255 million) to $245 million, that of foreign-controlled companies fell 10% ($60 million) to $550 million.

Canadian-controlled companies reported profit declines for upstream, downstream and 'other Canadian' operations but slight increases for foreign activities. The increase in overall revenues of 9% together with reduced current and deferred income taxes were more than offset by higher federal sales and excise taxes, increased feedstock costs (cost of goods sold) and higher non–cash charges. The increase in the latter category related mainly to an impairment write–down of exploration activity allocated to E&D expensed to current operations. As a result, net income declined 51% to $245 million in the first half of 1990. Cash flow for this sector dropped 10% to $1.7 billion in the first six months of 1990 over the corresponding 1989 period.

Net income for *foreign-controlled companies* fell 10% in the first half of 1990. Lower net income was recorded for downstream and foreign activities, while net income was higher for 'other Canadian' operations and unchanged for upstream activities. The impact of a 6% increase in overall revenues, lower interest charges, non–cash charges and deferred income taxes was offset by increases in cost of goods sold, sales and excise taxes and current income taxes. Cash flow declined 11% to $2.4 billion in the first six months of 1990 over the same 1989 period (Appendix B7).

Table 2.
Net Income by Sector and Segment in billions of dollars
First six months

	1989	1990	Change	%
Canadian-Controlled Companies				
Upstream	0.3	0.2	-0.1	-37
Downstream	0.2	0.1	-0.1	-57
Other[a]	-	-	-	-
Total Canadian-Controlled	**0.5**	**0.2**	**-0.3**	**-51**
Foreign-Controlled Companies				
Upstream	0.2	0.2	-	-
Downstream	0.5	0.2	-0.3	-51
Other[a]	-0.1	0.1	0.2	-
Total Foreign-Controlled	**0.6**	**0.5**	**-0.1**	**-10**
Total Industry	**1.1**	**0.8**	**-0.3**	**-29**

Note:
(a) Comprises net income generated by foreign activities and 'other Canadian' operations. For more detail see Appendices A12, B6 and B7.

Rates of Return

Return on Equity

The rate of return on average shareholders' equity for the total Canadian petroleum industry was 4.1% in the first six months of 1990 against 5.2% in the corresponding 1989 period. The negative effects of higher federal sales and excise taxes, current income taxes and cost of goods sold caused a decrease in profitability. Canadian-controlled companies had a 2.8% return on equity while their foreign-controlled counterparts had a 5.2% return. The industry's average rate of return on equity for the five-year period ending in June 1990 decreased to 2.8% from an average of 3.7% for the period ending in 1989 (Appendix A13).

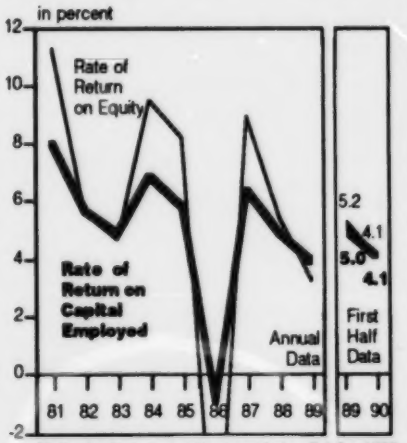
Return On Capital Employed

The return on average capital employed by the Canadian petroleum industry in the first six months of 1990 declined to 4.1% from 5% in the first half of 1989. The return on capital employed averaged 3.7% for the five-year period ending in June 1990 vs. 4% at the end of 1989. Upstream return on capital employed declined to 3.1% from 3.6% in the first half of 1989, while the downstream return dropped to 4% in the first six months of 1990 from 8% in the same 1989 period.

Foreign-controlled companies obtained a 4.4% return on capital employed for total operations in the first six months of 1990, down from 5.1% in 1989. The upstream segment of this sector saw its return on capital employed decline from 3.4% to 2.8% in the first half of 1990 while the downstream return fell from 9.2% in the first half of 1989 to 4.9% in 1990.

The *Canadian-controlled* sector's rate of return on capital employed was 3.7% in the first six months of 1990, down from 4.9% in 1989. The rate of return on upstream capital employed was 3.5% vs. 4% in the first half of 1989. Downstream rate of return on capital employed fell to 2.6% in the first six months of 1990 from 6% in 1989.

Chart 1.
Rates of Return: Petroleum Industry



Rate of return on equity extends to -7.1 for 1986.

Table 3.
Rates of Return by Sector and Segment in percent
First six months

	Canadian-Controlled		Foreign-Controlled		Total Industry	
	1989	1990	1989	1990	1989	1990
Return on Equity						
Total Operations	5.1	2.8	5.4	5.2	5.2	4.1
Return on Capital Employed						
Total Operations	4.9	3.7	5.1	4.4	5.0	4.1
Canadian Operations	5.0	3.7	4.9	4.2	4.9	4.0
Upstream Operations	4.0	3.5	3.4	2.8	3.6	3.1
Downstream Operations[a]	6.0	2.6	9.2	4.9	8.0	4.0

Note:
(a) Downstream, in this table, represents oil products operations only, i.e. it excludes petrochemical and other downstream operations.

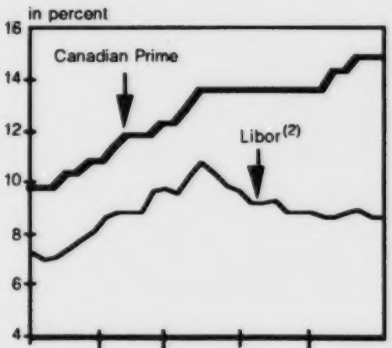
Interest Coverage[1]

For the industry overall, income before taxes, extraordinary items and expensed interest was 2.1 times total interest charges, both capitalized and expensed, down from the 2.3 times coverage in the first six months of 1989. This deterioration in interest coverage was the result of a 15% decline in industry income before interest and taxes coupled with a 3% decrease in overall interest charges. The decrease in interest charges was due mainly to a reduction of long-term debt during the second half of 1989. The impact of higher domestic interest rates was offset by lower foreign rates in the first half of 1990 compared with the corresponding 1989 period.

Net income before taxes and interest for Canadian-controlled companies was $925 million in the first six months of 1990 — down 23% from the level of $1.2 billion recorded in the first half of 1989. Simultaneously, interest charges increased by 8% to $565 million, primarily caused by an increase in net new long-term debt. Consequently, the interest coverage for this sector declined to 1.6 times in the first half of 1990 from 2.3 times in the corresponding 1989 period.

Foreign-controlled companies' interest coverage was unchanged at 2.4 times in the first six months of 1990; a 9% decline in income before taxes and interest compared with a 11% decrease in interest charges. The reduction in interest charges was due to a decline of long-term debt following sales of assets.

Chart 2.
Interest Rates: Canadian Prime and Libor



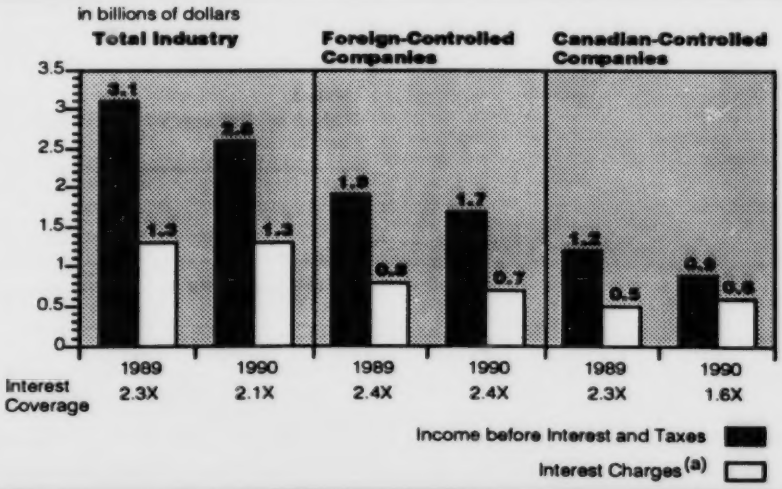
	1988		1989		1990
Avg. Prime	10.1	11.6	13.2	13.5	14.4
Avg. Libor	7.3	8.9	9.9	8.9	8.8

Source: Bank of Canada

(1) This analysis of interest coverage relates to total industry activity since there is neither consistency nor uniformity in the way companies allocate interest expenses among the various business segments – upstream, downstream, other Canadian and foreign.

(2) The London Inter-Bank Offer Rate (LIBOR) is defined as the rate at which funds are offered in London to first-class international banks.

Chart 3.
Comparison of Interest Charges with Income before Interest and Taxes
First Six Months



Note:
(a) Interest charges shown include both expensed and capitalized amounts. See Appendix A18 for more detail.

Net Income by Company Group

Integrateds and Refiners

A total of 15 companies grouped in the category 'integrateds and refiners' make up almost the entirety of the downstream segment in terms of revenues, and account for 33% of upstream revenues. Net income for the group decreased 23% or $180 million to $610 million in the first six months of 1990 over the same 1989 period. Lower net income particularly from downstream as well as from upstream and foreign activities more than offset higher profits in 'other Canadian' operations, the latter due to gains from the sale of assets (Appendix B2). Also, some companies recorded gains from the sale of producing property within the upstream segment as negative non–cash charges. The decline in the group's net income was due to the inability to flow–through to consumers the increase in feedstock costs (up 18%) in the first half of 1990. Cost of goods sold includes purchased crude oil, refinery maintenance and operating costs, and the flow–through of high crude oil cost from inventory.

Integrated companies in this sector, having both upstream and downstream operations, over the years have raised a considerable amount of debt for takeover activities and other purposes. The associated interest charges have been allocated to 'other Canadian' operations resulting in lower profits in this industry segment. Had the interest charges been distributed more evenly by industry segment, rather than as a corporate expense, net income for both upstream and downstream operations would have been even lower. In addition, debt was also raised by other companies, solely downstream operators, for purposes of expanding and restructuring. The associated interest payments were allocated to the downstream activity. Thus the increase from $95 million to $140 million in interest charges was a reflection of the expansion and restructuring in 1989.

Overall internal cash flow for this company group declined 12% to $1.8 billion in the first six months of 1990 over the same 1989 period.

Oil and Gas Producers

The 108 'oil and gas producers' are active almost exclusively in upstream operations. Net income declined 43% to $185 million in the first half of 1990 over the same 1989 period. Profit declines were recorded for all industry segments, the single exception being foreign activities.

The decline in the group's net income resulted from increased cost of goods sold and higher current income taxes. The increase in current income taxes was due to the deferral of tax liability from 1989 to 1990 following a corporate restructuring. Internal cash flow declined 10% to $2.4 billion in the first six months of 1990 over 1989 (Appendices B3 to 5).

Table 4.
Net Income by Company Group in billions of dollars
First six months

	1989	1990	Change	Change %
Integrateds and Refiners				
Upstream	0.3	0.3	–	– 2
Downstream	0.6	0.3	– 0.3	– 54
Other[a]	– 0.2	–	0.2	–
Total Integrateds and Refiners	**0.8**	**0.6**	**– 0.2**	**– 23**
Oil and Gas Producers				
Upstream	0.2	0.1	– 0.1	– 58
Downstream	0.1	–	– 0.1	– 42
Other[a]	0.1	0.1	–	– 11
Total Producers	**0.3**	**0.2**	**– 0.1**	**– 43**
Total Industry	**1.1**	**0.8**	**– 0.3**	**– 29**

Note:
(a) Comprises net income generated by foreign activities and 'other Canadian' operations. For more detail see Appendices B2 and B5.

Upstream Segment

Revenues from upstream operations were virtually unchanged at $8.7 billion in the first half of 1990 (Appendix B1). The impact of lower crude oil production of 3% and an unchanged realized crude oil price level[1] in the first six months of 1990 resulted in a revenue decrease for crude oil of $145 million (Appendix B15). While production for conventional crude oil fell 1%, that for oil sands dropped 7% due to damage done to the Syncrude plant following an explosion and fire in mid–December 1989. In addition, a 1% decline in the production of marketable natural gas was more than compensated for by an increase in the price of marketable natural gas, resulting in higher natural gas revenues of $65 million. Moreover, higher production and prices for gas plant liquids resulted in an improvement in revenues of $80 million. Sulphur revenues declined $40 million in the first six months of 1990 over 1989 due to a reduction in international demand.

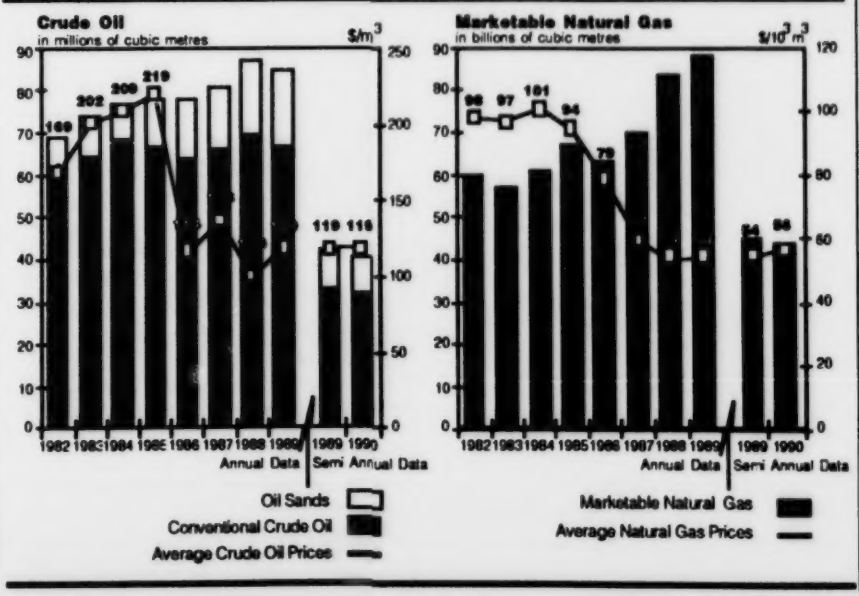
The average price received for crude oil (including production from oil sands) during the first half of 1990 was unchanged at $119 per m^3 ($18.95 per bbl) in the first six months of 1990 over the corresponding 1989 period. Prices for natural gas increased 4% in the first six months of 1990 to an average of $56.23 per 10^3m^3 ($1.59 per Mcf) over the corresponding 1989 period (Appendices A4 and A5).

Chart 4.
Crude Oil Prices: West Texas Intermediate (WTI)

Source: International Oil Markets Division, EMR

(1) Crude oil and natural gas prices realized by Canadian producers are a reflection of the opposing influences of higher international prices and a stronger Canadian dollar relative to the U.S. dollar. International oil prices are generally quoted in U.S. dollars and, as the Canadian dollar strengthens, the Canadian dollar value of oil prices declines. However, the increase in the international oil price (Chart 4) was offset by the rise in the Canadian dollar (Chart 6).

Chart 5.
Oil and Gas Production and Prices: 1982 – 1990



Upstream net income fell 22% ($110 million) to $385 million in the first six months of 1990 over the corresponding 1989 period. The reduction in net income resulted from a combination of higher operating costs and current income taxes more than offsetting lower interest charges, non–cash charges and deferred income taxes.

Unit operating costs increased from $34 per m^3 in the first six months of 1989 to $36 per m^3 in 1990 partly as a result of increased costs for oil sands. Lower interest charges resulted from repayment of long-term debt in the second half of 1989 following the sale of assets by a number of companies seeking to reduce debt and to rationalize operations. Current income taxes rose due to a deferral of tax liability from 1989 to 1990 following a corporate restructuring. The same event caused deferred income taxes to drop. Internal cash flow for the upstream segment declined 9% ($300 million) to $3 billion in the first half of 1990 over the corresponding 1989 period (Appendices B1 to 8).

Canadian-controlled companies reported a decrease in upstream net income of $110 million (37%) to $190 million in the first half of 1990. Higher revenues were more than offset by increased interest expenses, operating costs and non–cash charges. The rise in non–cash charges resulted from the write–down of exploration expenditures allocated to the category of E&D expensed to current operations. Interest charges were higher due to increased borrowing in the first six months of 1990 for the purchase of assets. Cash flow, unaffected by non–cash charges, remained unchanged at $1.3 billion in the first six months of 1990 vs. 1989 (Appendix B6).

Foreign-controlled companies' upstream profits were unchanged at $195 million due to lower revenues, higher operating costs and increased current income taxes being offset by lower non–cash charges and deferred income taxes. Non–cash charges were lower as a number of companies recorded gains on the sale of assets as negative write–offs. Cash flow decreased 16% to $1.7 billion in the first six months of 1990 over the corresponding 1989 period (Appendix B7).

Chart 6.
Exchange Rates: Canadian vs. U.S. Dollar

Source: Bank of Canada

Table 5.
Upstream Financial Performance in billions of dollars
First six months

	1989	1990	Change	Change %
Total Revenues	**8.7**	**8.7**	**–**	**1**
less:				
Operating Costs	3.1	3.2	0.1	5
Interest	0.7	0.6	– 0.1	– 11
Royalties, Taxes	1.4	1.4	–	–
Other Expenses	2.7	2.7	–	–
Income Before Taxes	**0.9**	**0.8**	**– 0.1**	**– 4**
Current Taxes	0.2	0.4	0.2	129
Deferred Taxes	0.2	–	– 0.2	–
Net Income before Unusual Items	0.5	0.4	– 0.1	– 21
Extraordinary Items	–	–	–	–
Net Income	**0.5**	**0.4**	**– 0.1**	**– 22**

Downstream Segment

Oil Products Operations

Revenues from refining and marketing of oil products increased 11% to $12.8 billion in the first six months of 1990 as a result of the flow through to consumers of higher federal sales and excise taxes[1] of 17% and feedstock costs (cost of goods sold) of 18%.

Net income fell 58% ($235 million) to $170 million in the first half of 1990 over 1989. Increased cost of goods sold (which also include refinery maintenance and operating costs, and the flow through of high cost products in inventory) and higher interest charges outweighed increased revenues to reduce profits. Interest charges rose from $90 million in the first half of 1989 to $140 million in 1990 as a result of increased borrowing following corporate restructuring and expansions by a number of companies.

Cash flow for oil products operations decreased 32% or $250 million to $530 million in the first half of 1990 over the corresponding 1989 period (Appendix B9).

Gross profit margins, defined here as the difference between average sales revenue, and direct taxes and cost of goods sold, declined to 6.3¢ per litre in the first half of 1990 from 6.7¢ per litre in 1989 (Appendices A8 and A21).

Average crude oil refiner acquisition costs by region and related transportation costs are shown in Appendices A6 and 7.

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(1) On April 28, 1989, the excise tax on gasoline was increased by 1 cent per litre. An additional 1 cent per litre surcharge was placed on leaded gasoline. Effective January 1, 1990, there was a further increase of excise taxes of 1 cent per litre on gasoline.

Table 6.
Oil Products: Financial Performance and Profit Margins
First six months

	1989		1990		Change
	$ millions	¢/litre	$ millions	¢/litre	¢/litre
Gross Sales	11575	27.29	12837	30.36	3.07
Other Revenues	331	0.78	461	1.09	0.31
Total Revenues	**11906**	**28.07**	**13299**	**31.45**	**3.38**
less:					
Federal Sales and Excise Taxes	2137	5.04	2507	5.93	0.89
Cost of Goods Sold	6908	16.29	8119	19.20	2.91
Gross Profit Margins	**2861**	**6.75**	**2673**	**6.32**	**– 0.43**
less:					
Distribution, Selling and Administrative Expenses	1761	4.15	1846	4.37	0.22
Cash Income before Interest and Current Taxes	**1101**	**2.60**	**826**	**1.95**	**– 0.64**
Interest Expenses	90	0.21	139	0.33	0.12
Current Income Taxes	227	0.54	155	0.37	– 0.17
Cash Income after Current Taxes	**784**	**1.85**	**532**	**1.26**	**– 0.59**
Depreciation and Other Non-Cash Charges	312	0.74	361	0.85	0.12
Deferred Income Taxes	71	0.17	3	0.01	– 0.16
Extraordinary Items	1	–	–	–	–
Net Income after Extraordinary Items	**402**	**0.95**	**168**	**0.40**	**– 0.55**

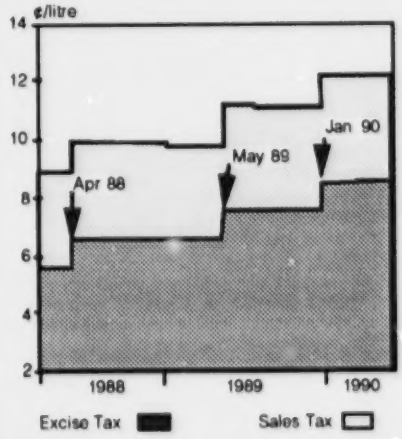
Other Downstream Operations

Net income from other downstream operations, mainly petrochemicals, declined 46% ($130 million) to $155 million in the first six months of 1990 over the same 1989 period. Despite higher revenues, increased feedstock costs and operating costs caused a decline in profits and cash flow. Internal cash flow fell 33% to $270 million (Appendix B9).

Total Downstream

The combined revenues of petroleum products and petrochemical operations increased 11% to $14.8 billion. Combined net income declined 53% to $320 million in the first half of 1990 from $685 million in 1989 and cash flow decreased 33% ($385 million) to $800 million.

Chart 7.
Federal Sales and Excise Taxes[1] **on Regular Unleaded Gasoline**



Other Canadian Operations

This business segment, which includes corporate income and expenses, recorded a net loss of $5 million in the first six months of 1990 compared with a net loss of $165 million in the corresponding 1989 period. The improvement was due to gains from the sale of assets in the first half of 1990. Cash flow, similarly affected, was $90 million in the first half of 1990 vs. negative $145 million in 1989.

In the first halves of 1990 and 1989, sizeable corporate eliminations occurred, resulting in negative current taxes. Also, as noted in previous Monitoring Reports, many companies treat financing activities, and thus interest expenses, as a corporate function – by definition included in 'other Canadian' operations. Although a large number of companies allocate interest charges to other segments, 36% of the industry's total interest expenses are charged to this segment which accounts for only 6% of total industry revenues.

Foreign Operations

Net income from foreign operations declined 3% to $95 million in the first half of 1990 over the same 1989 period. A 2% increase in revenues was more than offset by larger increases in the various expense categories resulting in reduced profitability. Foreign activities of Canadian petroleum companies are largely oil and gas production operations. Accordingly, the relatively unchanged revenues reflected the same factors that applied generally to Canadian upstream operations. Cash flow fell 13% to $285 million (Appendix B1).

(1) Federal taxes on gasoline are made up of a sales tax, based on an ad valorem rate, and an excise tax which is not tied to the price of the product.

Table 7.
Downstream Financial Performance by Subsegment in millions of dollars
First six months

	Net Income			Cash Flow		
	1989	1990	Change %	1989	1990	Change %
Oil Products	402	168	– 58	784	532	– 32
Petrochemicals	281	153	– 46	405	269	– 33
Total Downstream	683	321	– 53	1188	801	– 33

2

Sources and Uses of Funds[1]

Overview

Funds available to the petroleum industry prior to 'discretionary uses' decreased $4.9 billion or 50% to $5 billion in the first six months of 1990 resulting from a decline of $4.4 billion in net external sources, plus a decrease in internal cash flow of $495 million. Net external sources provided $800 million in the first half of 1990 vs. $5.2 billion in 1989.

New long-term debt exceeded redemptions by $395 million compared with $3.7 billion in the first half of 1989. New equity, net of repurchases, was $405 million in the first six months of 1990 vs. $1.5 billion in 1989. New long–term debt and equity in 1989 and the first six months of 1990 were raised for the purpose of takeover activity in the petroleum industry.

During the first half of 1990, net capital outlays were 5% higher at $3.6 billion. Dividend payments fell 3% from $800 million to $775 million. The excess of 'All Other Uses' over 'All Other Sources' in the first halves of 1989 and 1990 resulted from the purchase of assets and takeover activity.

The net draw-down of working capital of $105 million in the first six months of 1989 compares to a net draw–down of $120 million in the first half of 1990 (Appendix B10).

(1) Sources and uses of funds for an individual company are reported to the PMA on a net basis. For example, a company raising and repaying debt would report only the net amount. Similarly, companies report only the net amount with regard to changes in equity and in working capital. For the industry as a whole, the PMA continues this process of netting the aggregates to show the industry's net draw of funds from, or net contribution of funds to, other sectors of the economy. However, to allow the reader to distinguish at the aggregate level between new long-term debt and repayment of debt, etc., these aggregates are shown separately in Table 9.

Table 8.
Sources and Uses of Funds (Net) in billions of dollars
First six months

	1989	1990	Change	%
Internal Sources				
Net Income before Unusual Items	1.1	0.8	-0.3	-28
Non-cash Items	3.5	3.3	-0.2	-5
Internal Cash Flow	**4.7**	**4.2**	**-0.5**	**-11**
Net External Sources				
New Long-term Debt, Net of Repayments	3.7	0.4	-3.3	-89
New Equity, Net of Repurchases	1.5	0.4	-1.1	-72
Net External Sources	**5.2**	**0.8**	**-4.4**	**-85**
Net Sources	**9.9**	**5.0**	**-4.9**	**-50**
Discretionary Uses				
Net Capital Expenditures	3.5	3.6	0.1	5
Dividend Payments	0.8	0.8	–	-3
All Other Uses, Net of Other Sources	5.7	0.7	-5.0	-88
Net Uses	**10.0**	**5.1**	**-4.9**	**-49**
Net Working Capital Change	**-0.1**	**-0.1**	**–**	**–**

Sources and Uses of Funds (Gross)

External sources of funds were much lower in value in the first six months of 1990 than in the first half of 1989. New long-term debt was $1.5 billion, down $3.1 billion, and repayment of debt rose 34% or $295 million to $1.1 billion. New share issues dropped $1.3 billion to $665 million, while equity reductions declined to $255 million in the first half of 1990. The decrease in new long–term debt and equity was largely due to a reduction of takeover activity.

Reported individual decreases of working capital totalled $1.1 billion in the first half of 1990, down $735 million from the same 1989 total. Individually reported increases in working capital amounted to $950 million in the first half of 1990 compared to $1.7 billion in 1989.

Funds reported as 'all other sources' represent, in part, proceeds from the sale of oil and gas properties. 'All other sources' provided $1.5 billion in the first half of 1990, virtually unchanged from the same 1989 period. 'All other uses' of funds fell from $7.1 billion in 1989 to $2.2 billion in the first half of 1990 largely as a result of decreased funds used for takeover activity. Also, funds used for the purchase of assets decreased to $345 million from $440 million in the first half of 1989.

Net capital expenditures increased 5% ($180 million) to $3.6 billion in the first half of 1990 over the same 1989 period (for further detail see Table 11).

Table 9.
Selected Categories of Sources and Uses of Funds in billions of dollars[a]
First six months

	1989	1990	Change	%
New Long-term Debt[b]	4.6	1.5	– 3.1	– 66
Repayment of Long-term Debt[d]	0.9	1.1	0.2	34
Long-term Debt, Net of Repayments	**3.7**	**0.4**	**– 3.3**	**– 89**
New Equity[b]	2.0	0.7	– 1.3	– 67
Repurchase of Equity[d]	0.6	0.3	– 0.3	– 54
Net Equity, Net of Repurchases	**1.5**	**0.4**	**– 1.1**	**– 72**
Working Capital Increase[d]	1.7	0.9	– 0.8	– 44
Working Capital Decrease[b]	1.8	1.1	– 0.7	– 41
Net Working Capital Change	**– 0.1**	**– 0.1**	**–**	**–**
All Other Sources[c]	1.4	1.5	0.1	4
All Other Uses[e]	7.1	2.2	– 4.9	– 70
Other Uses Net of Other Sources	**5.7**	**0.7**	**– 5.0**	**– 88**
Total Capital Outlays	3.6	3.7	0.1	2
Incentive Grants and Other Receipts	0.1	–	– 0.1	– 73
Net Capital Expenditures	**3.5**	**3.6**	**0.1**	**5**

Notes:
(a) Appendix B10 shows more detail.
(b) Represents amounts of new long-term debt, new equity, or funds from drawing down working capital by those companies that reported deriving net funds from these sources.
(c) Includes unusual gains; unusual losses are included in 'All Other Uses'.
(d) Represents the net application of funds to repay long-term debt, repurchase equity, or to build up working capital by those companies that reported using funds for these purposes.
(e) Mainly funds for acquisitions of plant and property from other corporations and for corporate takeovers.

Internal Cash Flow

Petroleum industry internal cash flow decreased $495 million (11%) to $4.2 billion in the first six months of 1990. Higher revenues, particularly for oil products, were more than offset by the impact of increased feedstock costs, current income taxes, and sales and excise taxes. The upstream segment recorded a decrease of 9% ($300 million) to $3 billion largely due to higher current income taxes and operating costs. Cash flow from downstream operations dropped 33% ($385 million) to $800 million due to higher interest charges, sales and excise taxes, and cost of goods sold (feedstock costs). Cash flow of 'other Canadian' operations rose from a negative $145 million in the first half of 1989 to $90 million in 1990 as a result of earnings from the sale of assets. Internal cash flow from foreign activities fell 13% to $285 million in the first half of 1990 due to higher cost of goods sold.

Canadian-controlled companies' internal cash flow decreased 10% to $1.7 billion in the first six months of 1990. All business segments registered lower cash flow.

Foreign-controlled firms' cash flow was down 11% to $2.4 billion, with lower cash flow in upstream, downstream and foreign activities more than offsetting increases in 'other Canadian' operations.

Table 10.
Internal Cash Flow by Sector and Segment in billions of dollars[a]
First six months

	1989	1990	Change	Change %
Canadian-Controlled Companies				
Upstream	1.3	1.3	–	–
Downstream	0.5	0.3	-0.2	-34
Other[b]	0.1	0.1	–	-32
Total Canadian-Controlled	**1.9**	**1.7**	**-0.2**	**-10**
Foreign-Controlled Companies				
Upstream	2.0	1.7	-0.3	-16
Downstream	0.7	0.5	-0.2	-31
Other[b]	–	0.3	0.3	–
Total Foreign-Controlled	**2.7**	**2.4**	**-0.3**	**-11**
Total Industry				
Upstream	3.3	3.0	-0.3	-9
Downstream	1.2	0.8	-0.4	-33
Other[b]	0.2	0.4	0.2	105
Grand Total	**4.7**	**4.2**	**-0.5**	**-11**

Notes:
(a) See Appendices B1, B6 and B7 for more detail.
(b) Comprises internal cash flow generated by foreign activities and 'other Canadian' operations.

Capital Expenditures

Gross capital expenditures in the first six months of 1990 rose 2% to $3.7 billion over the same 1989 period. Domestic expenditures rose 1% to $3.4 billion while outlays abroad rose 26%. Expenditures abroad, as a share of total capital spending, rose one percentage point to 8% of the total in the first half of 1990. Upstream expenditures remained the largest component of total capital outlays, accounting for 75% in the first half of 1990, unchanged from the corresponding 1989 period. The exploration and development components of the upstream segment recorded increases offsetting declines in spending on oil sands facilities. Production expenditures were unchanged in 1990 over 1989. Downstream expenditures declined 5% and the small component of other expenditures fell 3%.

Table 11.
Capital Expenditures in billions of dollars[a]
First six months

	1989	1990	Change		Share of Total 1989	Share of Total 1990
				%	%	%
Upstream						
Exploration	1.3	1.4	0.1	3	37	38
Development	0.4	0.5	0.1	15	11	12
Production	0.8	0.8	–	–	22	22
Non-conventional[b]	0.2	0.1	– 0.1	– 33	4	3
Total Upstream[c]	**2.7**	**2.7**	**–**	**2**	**75**	**75**
Downstream	0.4	0.4	–	– 5	12	11
Energy Mining	–	–	–	–	–	–
All Other	0.2	0.2	–	– 3	6	6
Total Expenditures in Canada	**3.3**	**3.4**	**0.1**	**1**	**93**	**92**
Expenditures Abroad	**0.2**	**0.3**	**0.1**	**26**	**7**	**8**
Total Expenditures	**3.6**	**3.7**	**0.1**	**2**	**100**	**100**
Incentive grants and other receipts	0.1	–	– 0.1	– 73		
Net Capital Expenditures	**3.5**	**3.6**	**0.1**	**5**		
Memo Items:						
Upstream Capital Expenditures (Net of incentive grants and other receipts)	2.6	2.7	0.1	5		

Notes:
(a) More detail is presented in Appendices B11 and B12.
(b) Includes oil sands and non-conventional heavy oil projects.
(c) Includes incentives, grants, tax credits and other receipts.

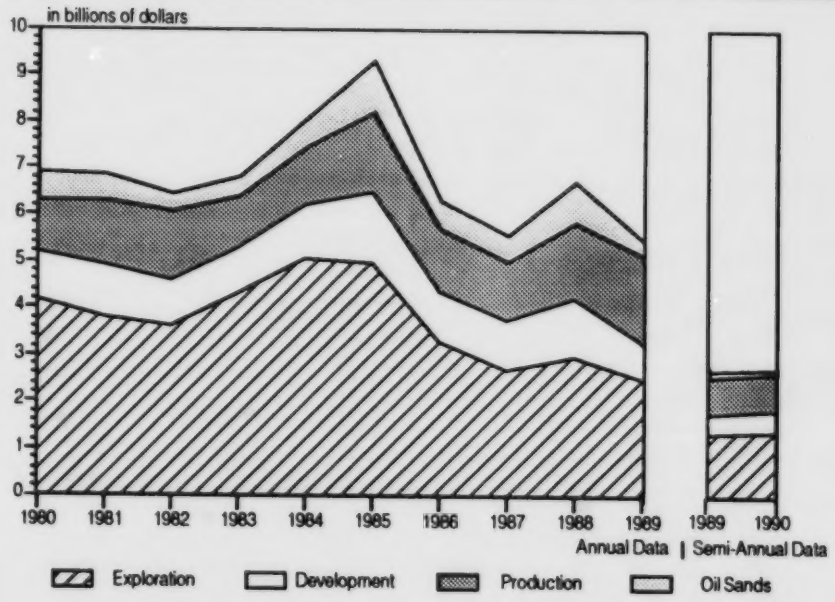
Upstream: The continued uncertainty over future oil prices which existed over the past number of years has kept upstream capital outlays at $2.7 billion in the first six months of 1990, an increase of only 2% from the corresponding 1989 period. Expenditure increases for exploration and development were offset by decreases for capital expenditures on oil sands facilities. Expenditures on production facilities were unchanged over 1989.

Upstream outlays by Canadian–controlled companies increased 12%, while those for foreign–controlled companies declined 7%. As a result, the Canadian-controlled group of companies' share of upstream capital spending rose 5 percentage points to 50% of the total in the first half of 1990 (Appendix B11).

Exploration expenditures increased 8% to $1.3 billion in the provinces, and decreased 30% to $130 million on Canada Lands. This produced a 3% increase in total exploration spending to $1.4 billion. Expenditures on Canada Lands accounted for 9% of the total in the first six months of 1990, down from 14% in the same 1989 period.

Exploration outlays by foreign-controlled companies were 6% lower in the first half of 1990, while those for Canadian-controlled firms were up by 13%. Canadian-controlled companies accounted for 52% of total exploration spending, up 4 percentage points from the first six months of 1989 (Appendix B12).

Chart 8.
Upstream Expenditures in Canada



Downstream Expenditures: Downstream outlays declined 5% to $410 million in the first half of 1990. Increases in expenditures for refineries were more than offset by decreased spending on petrochemical plants and marketing outlets.

Energy Mining and All Other: Expenditures were down 3% in energy mining and in all other areas including those for mining facilities, drilling ships, caissons, and drilling rigs. This category of capital outlays may also include capitalized interest charges.

Reinvestment Rates

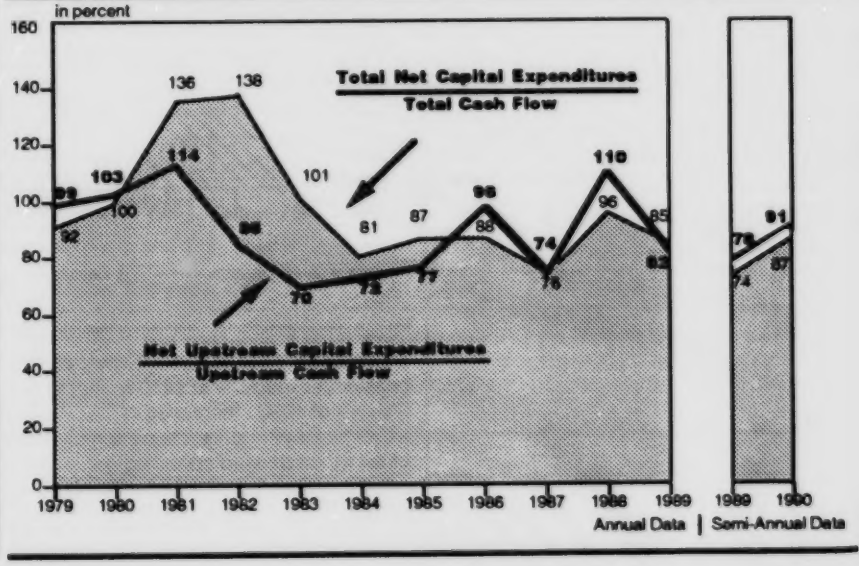
The overall reinvestment rate for the petroleum industry, total net capital expenditures(1) as a percentage of internal cash flow from all business segments, was 87% in the first six months of 1990, up from 74% in the corresponding 1989 period. The reduction in internal cash flow plus the slight rise in capital expenditures caused the increase of 13 percentage points in the reinvestment rate (Appendix A15).

Both Canadian- and foreign-controlled groups reported major overall increases in their reinvestment rates. Canadian-controlled companies' total reinvestment rate rose from 81% in the first half of 1989 to 100% in the same 1990 period, while that for foreign–controlled companies rose from 69% to 77%. A comparison of the two groups in terms of upstream activities gives similar results, with Canadian-controlled companies reinvesting 101% of upstream cash flow (up 15 percentage points) vs. 82% for foreign-controlled firms (up 9 percentage points).

Upstream capital expenditures (net of incentive grants) accounted for 91% of industry upstream cash flow, up 13 percentage points from the reinvestment rate for the first half of 1989. Upstream cash flow decreased 9%, while net upstream capital expenditures rose 5%.

(1) Net capital expenditures are defined as capital expenditures less incentive grants, tax credits and insurance receipts.

Chart 9.
Reinvestment Rates



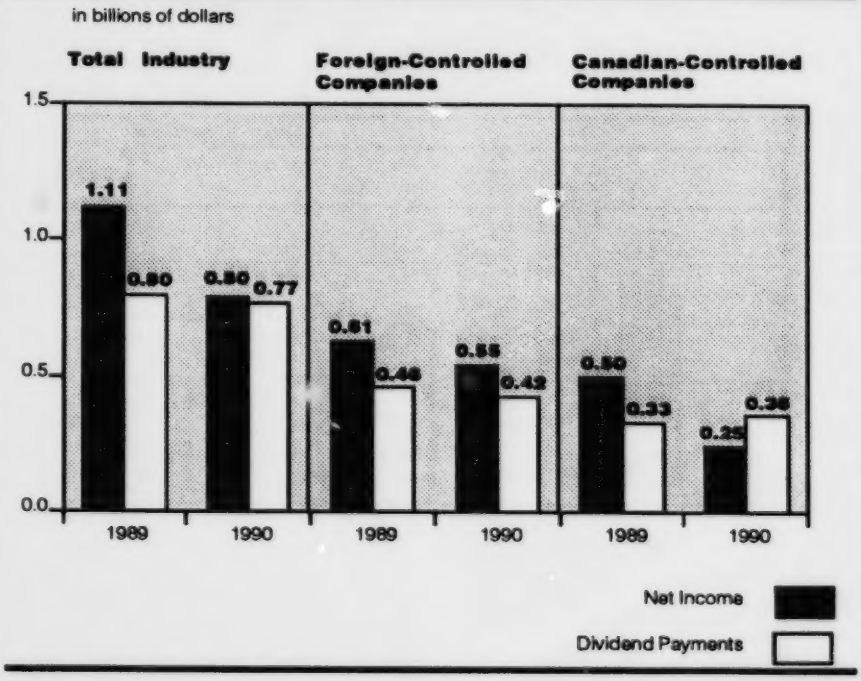
Dividend Payments

Dividend payments by the petroleum industry decreased 3% to $775 million in the first six months of 1990, while net income fell 29% from $1.1 billion in the first half of 1989 to $795 million. As a result, the industry payout rate rose from 72% in the first half of 1989 to 97% in 1990.

Dividends paid by Canadian-controlled companies increased 7% to $360 million for a payout rate of 145% in the first six months of 1990, while dividend payments by foreign-controlled companies fell 10% to $415 million, a payout of 76% (Appendices A19 and B10).

While in most cases companies pay dividends out of profits, the netting of companies reporting losses against those reporting profits may yield unusual results in terms of payout rates, as in the case of Canadian-controlled companies.

Chart 10.
Dividend Payments Compared with Net Income
First Six Months



3

Comparative Performance: Petroleum and Other Industries

Net Income Comparison

The petroleum sector's financial performance can be put into perspective by comparing it to that of the other sectors of the economy using data from Statistics Canada(1). The purpose is to indicate the relative and changing importance of the petroleum industry in the total net income picture of all non–financial industries(2).

Exclusive of Crown corporations, the petroleum industry's net income from Canadian operations after extraordinary items decreased 22% to $740 million in the first six months of 1990, compared with a 29% decrease to $8.4 billion for all other non-financial industries for the first half period. Chart 11 shows that the petroleum industry's net income for the first six months of 1990 represented 8% of all non-financial industries' net income. This compares poorly against all other periods except 1986 and 1989.

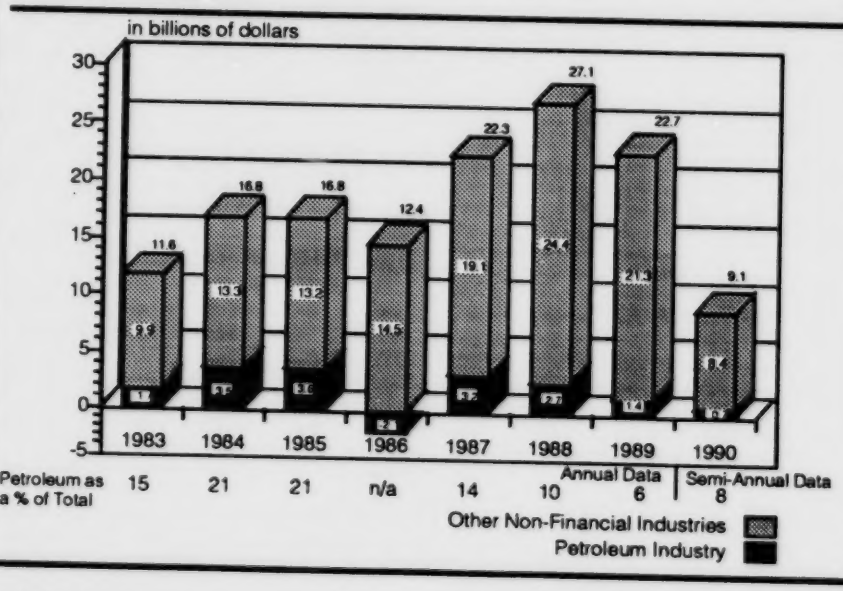
Table 12.
Comparison of Net Income: Petroleum Industry vs. All Other Non-Financial Industries in billions of dollars
First six months

	1989	1990	Change	%
Total Non-Financial excluding Petroleum	11.9	8.4	- 3.5	- 29
Petroleum	0.9	0.7	- 0.2	- 22
Total Non-Financial including Petroleum	12.8	9.1	- 3.7	- 29

(1) The data given in this section of the report are not precisely comparable with those presented elsewhere although they are close to results based on the PMA survey which are reported in Chapters 1 and 2. Petroleum industry data from Statistics Canada, while covering a greater number of companies than the PMA survey, exclude government business enterprises as well as the foreign activities of companies originating in Canada. The PMA survey covers the global activities of petroleum companies operating in Canada, including Crown corporations, subject to a minimum size in terms of assets and revenues.

(2) Included here are manufacturing, mining, services, utilities, etc.

Chart 11.
Comparison of Net Income: Petroleum Industry vs. All Other Non-Financial Industries



Capital Expenditures

Based on Statistics Canada data, petroleum industry gross capital expenditures (i.e. before deducting incentive grants) increased 4% in the first half of 1990 over 1989[1].

Capital expenditures of non-financial industries excluding petroleum decreased 3%, largely the result of the decrease in spending by manufacturing and mining concerns. The capital expenditures of the petroleum industry as a proportion of total capital expenditures of all non-financial industries increased by 1 percentage point to 19% in the first six months of 1990 over the corresponding 1989 period.

(1) These data differ significantly from those published in Chapter 2 due to Statistics Canada's inclusion of some acquisitions in the category of capital expenditures.

Table 13.
Comparison of Capital Expenditures: Petroleum Industry vs. All Other Non-Financial Industries in billions of dollars
First six months

		1989	1990	Change	%
1.	Manufacturing	6.6	6.5	-0.1	-1
2.	Mining	1.5	1.2	-0.3	-23
3.	**Other Non-Financial**	**9.7**	**9.7**	**-**	**-**
4.	**Total Non-Financial** excluding Petroleum	**17.9**	**17.4**	**-0.5**	**-3**
5.	Petroleum	3.8	4.0	0.2	4
6.	**Total Non-Financial** including Petroleum	**21.7**	**21.4**	**-0.3**	**-1**
7.	Line 5 as a % of line 6	18	19		

Source:
Statistics Canada, 61-003, *Industrial Corporations – Financial Statistics*. This survey does not include government enterprises. Expenditures are gross outlays, including capital grants.

4

International Flows of Funds: 1989 vs. 1988

In this chapter and the next two (Capital Structure and Income Tax-Related Data) statistics for the full year 1989 are compared with the full year 1988. These data were not available when the report for the year 1989 was issued.

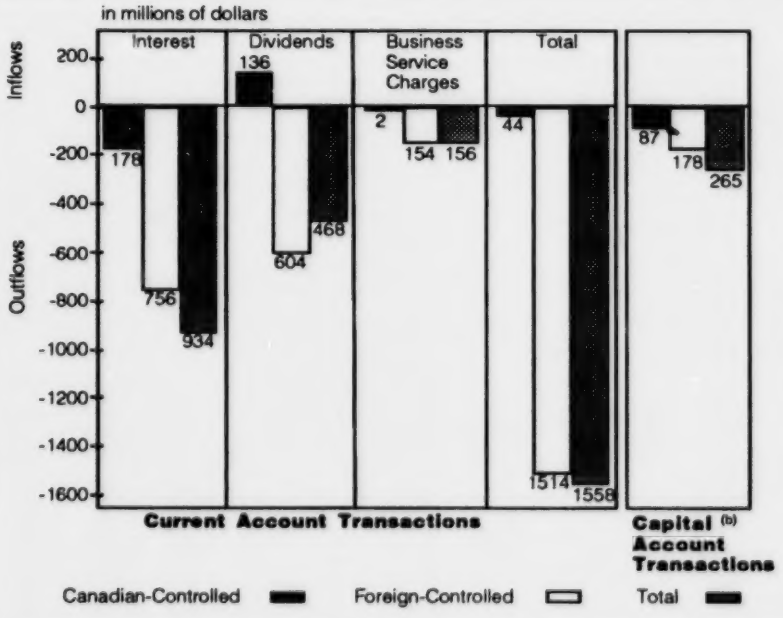
The international flow of funds[1] related to long-term capital movements to and from the Canadian petroleum industry registered a *net outflow of $1.8 billion* in 1989. This resulted from net outflows of $1.6 billion in the current account and net outflows of $265 million in the capital account (Appendix A22). Within the current account, net interest payments to and from non-residents amounted to $935 million in 1989, up from $700 million in 1988. Higher long-term borrowings from non-residents for takeover activity were largely responsible for the increase in interest payments. In addition, increased payments were due to higher interest rates affecting that half of all long-term debt which was raised at a floating rate.

Dividend payments, another component of the current account, registered a net outlfow of $470 million in 1989, down from a net outflow of $1.2 billion in 1988. Business service charges were $155 million in 1989 vs. $195 million in 1988.

The capital account net outflow of $265 million was the result of a number of large offsetting transactions. Within the foreign-controlled sector, the takeover of one large foreign-controlled company by another was accompanied by both a large inflow and outflow of direct investment and an inflow of portfolio investment (borrowing from foreign banks). Canadian-controlled companies borrowed money abroad and invested in their foreign subsidiaries.

(1) Data on international flows of funds are obtained from Statistics Canada. International flows of funds to or from non-energy parent companies caused by the transactions of their energy subsidiaries are not included.

Chart 12.
International Flows Related to Long-Term Investments[a] - 1989



Notes:
(a) All figures are net amounts and exclude exports and imports of goods, and transportation services. Appendix A22 shows additional detail including short-term capital flows - these latter flows amounted to $1.2 billion (net outflows) in 1989.
(b) Capital account represents funds related to long-term investments, such as a parent company's investment in a foreign subsidiary or the repatriation of a controlling interest from a non-resident owner.

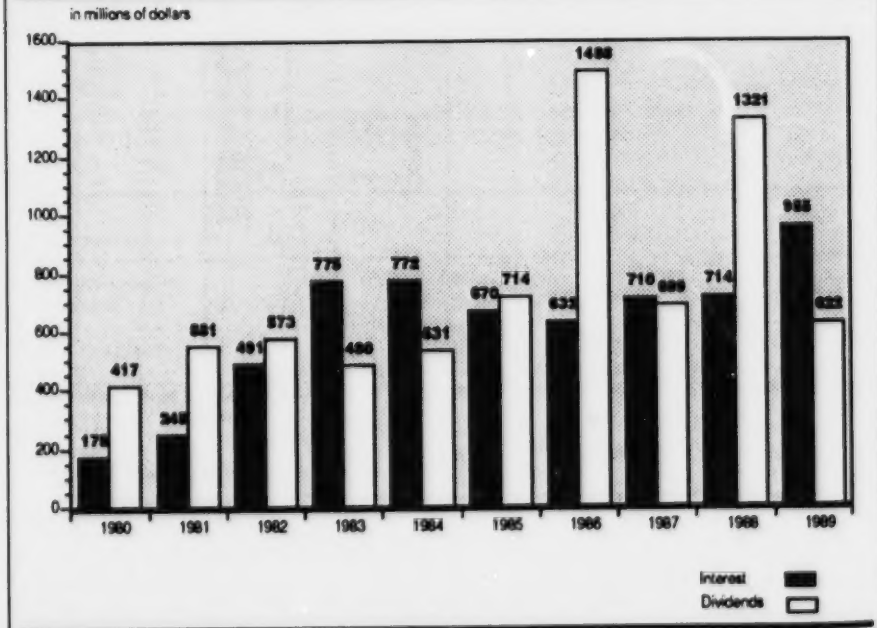
The Canadian–controlled sector reported a net capital account outflow of $85 million as debt and equity raised from foreign sources were more than offset by Canadian investments in foreign subsidiary companies. Interest and dividend payment outflows of $195 million to non–resident owners of equity and debt in Canadian–controlled companies were more than the corresponding $150 million in inflows from Canadian subsidiaries abroad (Appendix A22).

The foreign–controlled sector of the industry registered large offsetting transactions in the capital account. Net direct outflows of capital of $2.8 billion for takeover activity, were almost equal to inflows of $2.6 billion representing increased foreign borrowing (portfolio investment) for takeover activity.

Within the current account, foreign–controlled companies reported net outlfows for interest payments of $755 million, dividend payments of $605 million, and business service charges of $155 million, totalling $1.5 billion.

Gross interest and dividend payment outflows by the petroleum industry of $1.6 billion were below the $2 billion outflow in 1988. In 1989, dividend payments to non–residents returned to a more usual level of $620 million compared to the 1988 payment of $1.3 billion. The high level of dividend outlfows in 1988 resulted from a declaration of a large dividend by a foreign–controlled company prior to being purchased by another firm. In addition, another company declared relatively large dividend payments after the sale of equity investments in Canada. Interest payments took a large upswing in 1989 due to increased levels of debt and higher interest rates.

Chart 13.
Interest and Dividend Payments to Non-Residents(a)(b)

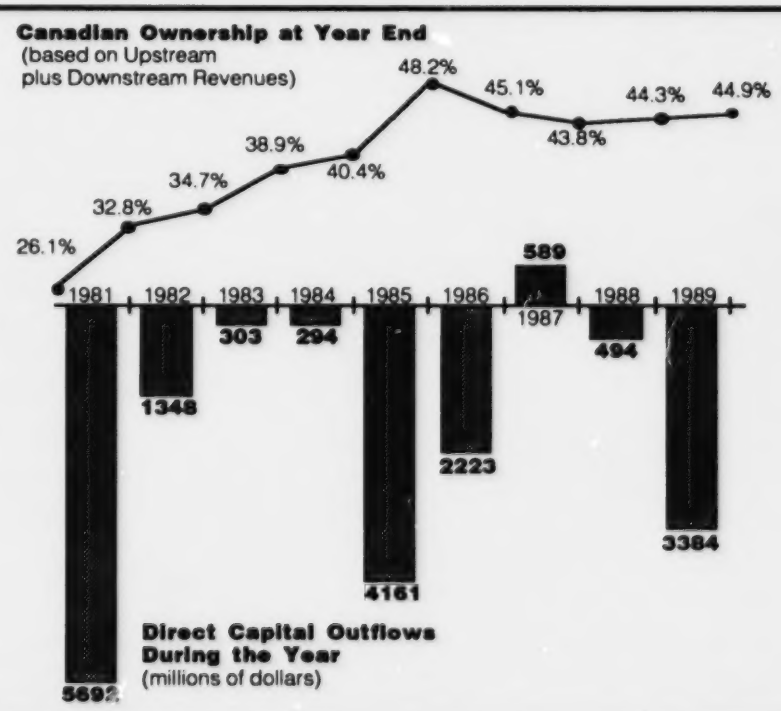


Note:
(a) Appendix A22 shows dividend and interest payments and additional details for 1989.
(b) Excludes withholding tax.

From 1981 through 1985, direct outflows of capital from the Canadian petroleum sector could be attributed to the cost of takeovers of foreign-controlled oil and gas companies. This increased the overall Canadian ownership rate in the industry.

In 1989, the Canadian-owned proportion of the petroleum industry's upstream plus downstream revenues increased one–half of one percentage point. The direct capital outflow of $3.4 billion relates mostly to the takeover of a large foreign–controlled company by another foreign–controlled company.

Chart 14.
Direct Capital Flows vs. Changes in Canadian Ownership



5

Capital Structure: 1989 vs. 1988

Total capital employed, including only long–term debt plus equity, in the petroleum industry was $63.7 billion in 1989 up $2.3 billion (4%) from the level recorded in 1988. While the level of equity declined from $40.5 billion to $40 billion in 1989, the amount of long–term debt increased to $23.7 billion from $20.9 billion in 1988. Equity which represented 66% of the industry capitalization in 1988 represented 63% in 1989. Long–term debt rose to 37% of the industry capital employed from 34% in 1988.

Canadian–controlled companies' capital employed, in 1989, as a percentage of that for the total industry fell to 44% from 45% in 1988. However, their share of total equity remained constant at 48%.

Foreign–controlled companies increased their capital employed in 1989 as a result of increased long–term debt used for takeover activity. In 1989, foreign–controlled companies' capital employed rose to 56% of that in the total industry from 55% in 1988.

Table 14.
Capital Structure by Sector: 1989 vs. 1988 in billions of dollars

	1988	1989	Change	%	Share of Total 1988 %	Share of Total 1989 %
Canadian-Controlled Companies						
Equity – Preferred	4.0	3.4	– 0.5	– 16	14	12
– Common[a]	15.5	15.7	0.3	2	56	57
Total Equity	19.5	19.2	– 0.3	– 2	71	69
Long-term Debt	8.1	8.6	0.5	6	29	31
Capital Employed[b]	**27.5**	**27.8**	**0.2**	**1**	**100**	**100**
Foreign-Controlled Companies						
Equity – Preferred	1.0	1.4	0.4	30	3	4
– Common[a]	20.0	19.4	– 0.6	– 3	59	54
Total Equity	21.0	20.8	– 0.2	– 1	62	58
Long-term Debt	12.9	15.1	2.3	15	38	42
Capital Employed[b]	**33.9**	**35.9**	**2.0**	**6**	**100**	**100**
Total Industry						
Equity – Preferred	5.0	4.9	– 0.1	– 2	8	8
– Common[a]	35.5	35.1	– 0.4	– 1	58	55
Total Equity	40.5	40.0	– 0.5	– 1	66	63
Long-term Debt	20.9	23.7	2.8	12	34	37
Total Capital Employed[b]	**61.4**	**63.7**	**2.3**	**4**	**100**	**100**

Notes:
(a) Includes common shares, contributed surplus and retained earnings.
(b) Excludes minority interest as detailed in Appendix A23.

Long-Term Debt

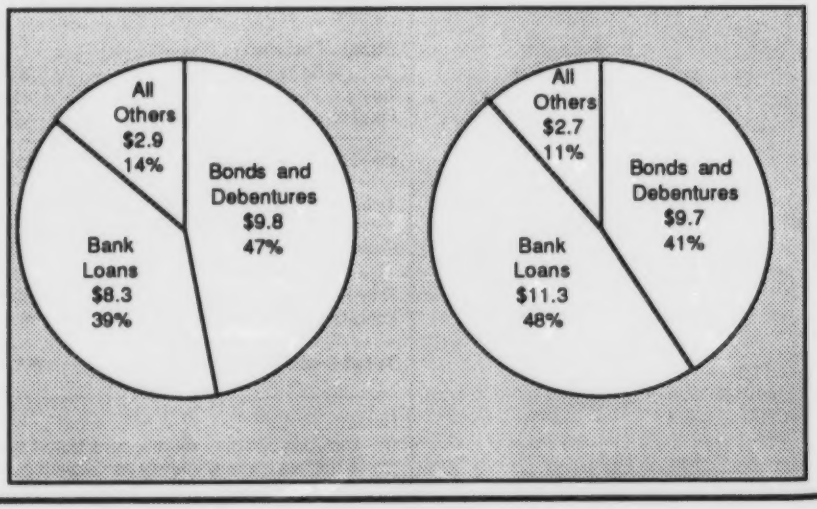
In 1989, the long–term debt of the Canadian petroleum industry increased $2.8 billion, or 12% to $23.7 billion. As a result of takeover activity, bank debt has increased by $3 billion to $11.3 billion from $8.3 billion in 1988. Bonds and debentures fell marginally to $9.7 billion in 1989 from $9.8 billion. Approximately 51% of long–term debt was raised at floating interest rates, based on Canadian or U.S. prime rate or LIBOR(1) (Appendix A23).

Of the total debt outstanding, $11.9 billion was held in Canada while $9.0 billion was held in the United States and the remaining $2.8 billion in other countries. Of the total, $12.9 billion was payable in U.S. dollars, $10.3 billion in Canadian dollars and $0.6 billion payable in other currencies (Appendix A24 contains further details).

Foreign–controlled companies reported an 18% increase in long–term debt which rose to $15.1 billion as a result of takeover activity. Long–term debt for Canadian–controlled companies increased 6% to $8.6 billion in 1989.

(1) The London Inter–Bank Offer Rate (LIBOR) is defined as the rate at which funds are offered in London to first–class international banks.

Chart 15.
Industry Long-Term Debt Structure



Equity

Shareholders' equity in the Canadian petroleum industry fell 1% ($0.5 billion) to $40 billion in 1989. The value of preferred equity declined by $110 million offsetting the increase in the book value[1] of common stock. Retained earnings fell $510 million to $16.4 billion in 1989 due to takeover activity (Appendix A23).

Canadian–controlled companies' preferred stock declined by $545 million to $3.4 billion in 1989. The book value of common equity fell by $1.3 billion to $11.3 billion. Retained earnings for this sector increased to $4.4 billion in 1989 from $2.9 billion the previous year.

Foreign–controlled companies increased both preferred and common equity by $435 million and $1.4 billion respectively. However, retained earnings were reduced from $14 billion to $12 billion in 1989 due to the repatriation of equity in a company following its takeover.

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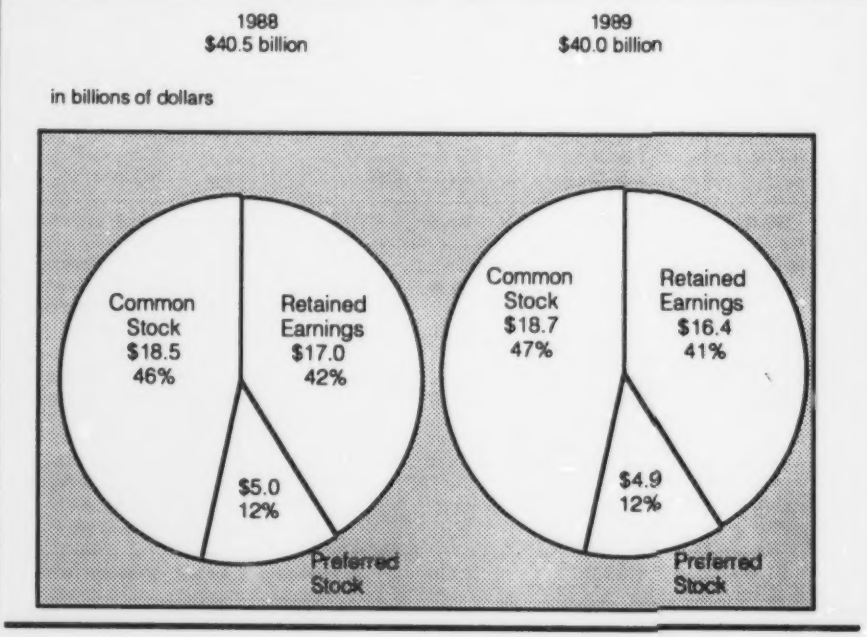
(1) Book value includes contributed surplus.

Chart 16.
Industry Equity Structure



6

Income Tax-Related Data: 1989 vs. 1988

Taxable Income and Income Taxes Payable

Taxable income reported by the petroleum industry declined 17% to $2.2 billion in 1989 from $2.7 billion in 1988. An improved performance of the upstream segment was more than offset by weaker downstream and 'other Canadian' sectors.

Consequently, income taxes payable to federal and provincial governments declined 18% to $675 million from $820 million in 1988. Federal income tax payable declined 15% to $620 million from $725 million in 1988. The decline would have been even sharper without the addition of $45 million in Large Corporations Tax in 1989. Apart from the decline in taxable income (tax base), the decrease in taxes is also due to a higher tax rate in the first half of 1988, i.e. 35% after the provincial abatment vs. 28% thereafter. Provincial taxes payable dropped 38% to $60 million from $95 million in 1988, with the Alberta Royalty Tax Credit declining to $195 million from $215 million (Appendices B17 to 20).

Table 15.
Taxable Income and Income Taxes Payable in billions of dollars

	1988	1989	Change	Change %
Canadian-Controlled Companies				
Taxable Income	**0.55**	**0.52**	**- 0.03**	**- 6**
Income Taxes Payable:				
Federal	0.13	0.15	0.02	10
Provincial	- 0.05	- 0.05	-	- 6
Income Taxes Payable	**0.08**	**0.10**	**0.02**	**19**
Foreign-Controlled Companies				
Taxable Income	**2.16**	**1.73**	**- 0.43**	**- 20**
Income Taxes Payable:				
Federal	0.59	0.47	- 0.12	- 20
Provincial	0.14	0.11	- 0.03	- 27
Income Taxes Payable	**0.74**	**0.58**	**- 0.16**	**- 22**
Total Industry				
Taxable Income	**2.71**	**2.25**	**- 0.46**	**- 17**
Income Taxes Payable:				
Federal	0.73	0.62	- 0.11	- 15
Provincial	0.09	0.06	- 0.03	- 38
Total Income Taxes Payable	**0.82**	**0.68**	**- 0.14**	**- 18**

Reconciliation of Book Income to Taxable Income

Book net income of the petroleum industry declined 11% ($410 million) to $3.2 billion in 1989 from $3.6 billion in 1988. As noted in previous reports, higher receipts of inter–company dividends (taxable dividends) are included in net income as opposed to other additions. As a result, net income reported for reconciliation purposes is higher than that for financial reporting, where such dividends are eliminated through consolidations. Also, because all the dividends are deducted to arrive at taxable income, the difference between book net income and taxable income is artificially higher.

Foreign–controlled companies reported book profits of $2.4 billion, which were up slightly from the $2.3 billion reported in 1988. Book deductions added back for tax purposes totalled $7 billion, compared with deductions for tax purposes of $6.5 billion. Taxable income for this group fell 20% to $1.7 billion in 1989 from $2.2 billion in the prior year.

Canadian–controlled companies reported book profits of $835 million, a sharp decline from $1.3 billion in 1988. Non–deductible book expenses added back were $4.5 billion with an identical amount shown as tax deductions. Taxable income declined 6%, while federal taxes increased 10%, due to the new Large Corporations Tax implemented in 1989, and lower tax credits such as ITCs and ETCs.

Table 16.
Reconciliation of Book Income to Taxable Income: 1989 vs. 1988
in billions of dollars

	Total Industry		Foreign-Controlled		Canadian-Controlled	
	1988	1989	1988	1989	1988	1989
Book Net Income	**3.6**	**3.2**	**2.3**	**2.4**	**1.3**	**0.8**
plus[a]:						
Depreciation and Amortization	2.6	2.8	1.6	1.7	1.0	1.1
Depletion	1.8	2.0	0.7	0.9	1.1	1.2
Current E&D Expensed	0.6	1.2	0.6	1.0	–	0.2
Non-Deductible Crown Royalties	1.8	2.1	1.2	1.4	0.6	0.7
Other Additions[a]	5.0	3.3	2.9	2.0	2.2	1.3
Total Additions	**11.9**	**11.5**	**6.9**	**7.0**	**5.0**	**4.5**
Income Prior to Tax Deductions	**15.5**	**14.7**	**9.2**	**9.3**	**6.3**	**5.3**
less:						
Capital Cost Allowance	2.4	2.8	1.3	1.7	1.1	1.1
Resource Allowance	1.6	1.8	0.9	1.1	0.6	0.7
Canadian Exploration Expenses	1.4	1.4	0.8	0.8	0.6	0.5
Canadian Development Expenses	0.9	0.8	0.4	0.4	0.5	0.4
Canadian Oil & Gas Property Expenses	0.5	0.5	0.3	0.2	0.2	0.2
Earned Depletion Allowance	0.3	0.2	0.2	0.2	0.1	0.1
All Other Deductions[b]	4.6	3.6	2.4	2.1	2.2	1.5
Total Deductions	**11.6**	**11.0**	**6.4**	**6.5**	**5.3**	**4.5**
Net Income for Tax Purposes	**3.8**	**3.7**	**2.8**	**2.8**	**1.1**	**0.8**
less:						
Non-Capital Losses	0.7	0.4	0.4	0.4	0.3	–
Taxable Dividends	1.8	1.9	0.9	1.4	0.9	0.6
Other Deductions	–	–	–	–	–	–
plus:						
Current Year Non-Capital Losses	1.5	0.8	0.8	0.6	0.7	0.2
Taxable Income (Tax Base)	**2.8**	**2.2**	**2.2**	**1.7**	**0.8**	**0.5**
Income Taxes Payable	0.8	0.7	0.7	0.6	0.1	0.1
Tax Pools Remaining	25.8	25.8	13.2	13.3	12.6	12.5
Non-Capital Losses Remaining	2.3	1.8	1.2	1.0	1.1	0.8

Notes:
(a) The additions represent charges that are not allowable for income tax purposes.
(b) A complete breakdown of these items can be found in Appendices B17 to 20.

Tax Pools Remaining

The petroleum industry's tax pools[1] (Appendix A25) amounted to $25.8 billion at the end of 1989, down $60 million from prior year's end. The Capital Cost Allowance and Cumulative Exploration Expense pools rose $260 million and $200 million respectively. A statistical adjustment of the prior year pool balances occurred when unused balances of a number of companies were transferred to newly created entities, mostly partnerships, with a year-end outside the period under review. Consequently, those pool balances were not included in 1988 but appear in 1989.

The other tax pool balances and claims recorded slight declines with the exception of Foreign Exploration and Development claim which rose $60 million.

Tax Expenditures[2]

The Resource Allowance claim increased $195 million, as a result of improved resource profits in the upstream segment. This allowance, which is provided to partly compensate for the non-deductibility of Crown royalties, amounted to 85% of royalties in 1989 vs. 86% in 1988.

The Earned Depletion Allowance, which was phased-out in two stages ending in 1989, was still a relatively large deduction at $225 million vs. $260 million in 1988, as many companies still have large unused tax pool balances.

The Investment Tax Credit (ITC) claim dropped by one third in response to tax changes that limited the means of earning this credit in 1989. Also, the Exploration Tax Credit dropped as a result of a slower pace of exploration activity on Canada Lands.

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(1) Tax pools are accumulated eligible expenditures available to reduce net income for tax purposes in subsequent years.

(2) The tax system does not permit the petroleum industry to deduct certain costs and allowances in computing taxable income. But, reflecting the unique nature of exploration activities and resource development, the industry is allowed credits, some of which do not apply to other sectors of the economy. Cumulatively these are referred to as tax expenditures. The most important examples of tax expenditures are accelerated write-offs, resource allowances, depletion allowances and investment tax credits. Other tax expenditures of minor importance are detailed in Appendices B17 to 20. For a fuller discussion of tax expenditures see "Account of the Cost of Selective Tax Measures", August 1985, Department of Finance.

Table 17.
Selected Tax Expenditures in billions of dollars

	Total Industry		Foreign-Controlled		Canadian-Controlled	
	1988	1989	1988	1989	1988	1989
Resource Allowance	**1.56**	**1.76**	**0.94**	**1.07**	**0.62**	**0.69**
Depletion Allowance	**0.26**	**0.22**	**0.18**	**0.16**	**0.08**	**0.06**
Investment Tax Credit	**0.07**	**0.05**	**0.06**	**0.04**	**0.02**	**0.01**
Memo Item: Provincial Royalties	1.82	2.08	1.17	1.38	0.65	0.70
In Percent Resource Allowance as a % of Provincial Royalties	86	85	80	78	95	98

7

Additional Financial Results

This chapter was prepared using quarterly data submitted by individual companies to the PMA via Statistics Canada. In contrast to the bi-annual PMA survey presentation, the report covers the combined results of upstream, downstream and other Canadian operations but excludes the results of these companies' foreign activities. Nevertheless, the information contained in this analysis gives a reliable overview of the industry's financial performance for the third quarter of 1990.

The PMA has taken the unprecedented step of providing the Statistics Canada data alongside those obtained directly by PMA survey to put into perspective the impact of the large crude oil price rises that occurred in the third quarter of 1990. Supply fears resulting from instability in the Persian Gulf have boosted international crude oil prices to a range of between $30 and $40 U.S. per barrel.

Third Quarter Results

Net income from total operations rose from $280 million in the third quarter of 1989 to $785 million in the corresponding 1990 period — a $505 million increase. Internal cash flow increased 27% ($470 million) to $2.2 billion.

Table 18.
Net Income and Cash Flow by Industry Segment: Third Quarter
in millions of dollars

	1989	1990	Change	%
Integrateds and Refiners				
Net Income	164	448	284	173
Cash Flow	702	1017	315	45
Oil and Gas Producers				
Net Income	114	344	230	202
Cash Flow	1020	1173	153	15
Total Industry				
Net Income	278	792	514	185
Cash Flow	1722	2190	468	27

First Nine Months Results

The impact of the improved third quarter results upon the poorer first half results has been obtained by combining the Statistics Canada and PMA series. The addition of the two yields an improvement in net income of 14% (or $190 million) to $1.6 billion in the first nine months of 1990 over the corresponding 1989 period. However, the cash flow improvement in the third quarter offset the decline in cash flow for the first half of 1990. Therefore, cash flow for the first nine months of 1990 was virtually unchanged at $6.4 billion over the same 1989 period.

Table 19.
Net Income for Total Operations: First Nine Months in millions of dollars

	1989	1990	Change	%
First Half	1114	796	-318	-28
Third Quarter	278	786	507	183
First Nine Months	**1392**	**1582**	**190**	**14**

Table 20.
Cash Flow for Total Operations: First Nine Months in millions of dollars

	1989	1990	Change	%
First Half	4665	4170	-495	-11
Third Quarter	1722	2190	468	27
First Nine Months	**6387**	**6360**	**-27**	**-**

The improved net income for the first nine months of 1990 would yield a rate of return on equity of 5.3%, on an annual basis, compared with the rate of return on equity of 4.1% in the first half of 1990.

Appendices

Appendix A Supplementary Information

A1 Year in Review

1990

Jan 5
Canada's and Nova Scotia's energy ministers announced proclamation of the federal and provincial legislation to implement the 1986 Offshore Petroleum Resources Accord between the two governments. Also announced were the appointments of a Chairman and members to the Canada Nova Scotia Offshore Petroleum Board.

Feb 20
Canada's Minister of Finance announced the 1990–91 federal budget. The petroleum industry was affected by the cancellation of federal support for the "Other Six Leases Operation" (OSLO) oil sands project and by the termination of the Canadian Exploration Incentive Program (CEIP). Details of the decision were released by the Minister of Energy, Mines and Resources on February 21 and included a one year grandfathering provision for eligible expenditures incurred after the termination date.

Mar 9
The Minister of Energy, Mines and Resources announced details of the CEIP grandfathering provisions in Information Circular IC–CEIP–90–1.

May 24
The Minister of Energy, Mines and Resources opened the 17 session consultation phase of the Green Plan for Canada.

Jun 9
The Minister of Energy, Mines and Resources announced that the Government of Canada will contribute up to $45.5 million towards completion of the conceptual engineering study phase for the OSLO project in northern Alberta. This phase is to be completed by December 31, 1991.

Jun 15
Canada Oil and Gas Lands Administration (COGLA) published its eighth annual report, which reviews oil and gas activities on frontier lands during 1989.

Aug 2
Kuwait was invaded by Iraqi troops.

Aug 17
The Minister of Energy, Mines and Resources released a report based on monitoring the performance of domestic and export natural gas prices during the November 1988 - October 1989 'gas year'. It concluded that prices paid in the domestic market for Canadian natural gas have fallen over that period, and continue to be lower than export prices.

Aug 22
The Minister of Energy, Mines and Resources commented on the situtation in the Persian Gulf, noting "Consultations with Canada's petroleum industry have confirmed that the country's oil markets are stable and are not in danger of disruption at this time. The current situation in the Persian Gulf is not expected to pose any substantial security of supply problems for Canada. Only three percent of Canada's oil imports — or one percent of our consumption — is affected."

A2 Petroleum Supply and Demand Summary[a] [b]

First six months

	1989	1990	Change
	thousands of m^3/day		%
Production			
Crude Oil	268	257	- 4
Natural Gas Liquids[c]	49	50	2
Total Production	**317**	**307**	**- 3**
Net Exports[d]			
Crude Oil	29	18	- 38
Natural Gas Liquids	17	19	12
Refined Products	6	11	83
Total Net Exports	**52**	**48**	**- 8**
Consumption			
Natural Gas Liquids	38	38	-
Refined Products	242	239	- 1
Total Consumption	**280**	**277**	**- 1**

Notes:

(a) Petroleum includes conventional and synthetic crude oil and natural gas liquids (propane, butane and ethane) derived from gas processing and gas reprocessing plants. Data on the production, net exports and consumption do not represent a complete supply/demand balance as industry's own use and stock changes are not shown.

(b) Figures represent total industry activity and are derived from a number of sources:
Production – Statistics Canada (Catalogue 26-006)
Net Exports – EMR, Oil and Gas Branch
Consumption – Statistics Canada (Catalogue 45-004)

(c) Does not include refinery production of 8.3 thousand m^3/d in the first six months of 1990 and 9.0 thousand m^3/d in the corresponding 1989 period.

(d) On a gross basis, crude oil imports (including exchange receipts) for the first six months of 1989 and 1990 were 75,600 m^3/d and 83,400 m^3/d (475,700 b/d and 524,800 b/d) respectively, or 27% and 30% of domestic consumption in those periods.

A3 Natural Gas Supply and Demand Summary[a]

First six months

	1989	1990	Change
	millions of m^3/day		%
Production			
Gross New Production	384	371	- 3
less:			
Injected, Shrinkage and Adjustments	83	67	- 19
Indigenous Supply	301	304	1
less:			
Producer Consumption	32	32	-
Marketable Production	**269**	**272**	**1**
Net Exports	**100**	**108**	**8**
Consumption			
Energy Use	164	154	- 6
Non-energy Use	13	13	-
Converted to Electricity and Other[b]	38	37	- 3
Total Consumption	**215**	**204**	**- 5**
NEB Export Authorization	**158**	**162**	**3**

Note:

(a) Figures represent total industry activity and are derived from a number of sources:
Production – Statistics Canada (Catalogue 26-006)
Net Exports – EMR, Oil and Gas Branch
Consumption – Statistics Canada (Catalogue 45-004)

(b) Adjusted to represent total domestic consumption including producer consumption.

A4 **Canadian Natural Gas Prices** in dollars per gigajoule

	Field Gate Including Export Flow Back	Alberta Border	Toronto City Gate	Weighted Ontario Sales Realization	Ontario Market		
					Residential	Commercial	Industrial
1977	1.21	1.04	1.47	1.85	2.44	1.96	1.37
1978	1.44	1.28	1.77	2.14	2.74	2.22	1.90
1979	1.66	1.36	1.92	2.35	3.03	2.43	2.06
1980	2.30	1.61	2.23	2.69	3.43	2.73	2.36
1981	2.34	1.75	2.42	3.40[a]	4.24	3.41	3.03
1982	2.53	2.01	2.80	4.16[a]	4.93	4.12	3.70
1983	2.48	2.48	3.38	4.74[a]	5.72	4.78	4.15
1984	2.61	2.78	3.71	4.77	5.79	4.86	4.16
1985	2.47	2.80	3.76	4.76	5.84	4.86	4.14
1986	2.32	2.80	3.78	4.73	5.79	4.81	4.04
1987	–	–	–	4.44	5.70	4.66	3.55
1988				4.38	5.87	4.55	3.50
1989							
Jan				4.52	5.20	4.63	3.64
Feb				4.58	5.36	4.55	3.77
Mar				4.59	5.36	4.59	3.80
Apr				4.24	5.16	4.28	3.43
May				3.44	4.19	3.37	3.05
Jun				3.45	4.43	3.63	3.08
Jul				3.97	6.31	4.16	3.19
Aug				3.76	6.25	4.04	3.00
Sep				3.65	5.11	3.52	3.24
Oct				3.82	4.77	4.11	3.22
Nov				4.03	5.03	4.09	3.29
Dec				4.27	5.04	4.31	3.37
Average				4.03	5.18	4.11	3.34
1990							
Jan				4.27	5.03	4.30	3.35
Feb				4.25	5.08	4.29	3.38
Mar				4.26	5.08	4.34	3.41
Apr				4.04	4.92	4.05	3.28
May				4.03	5.37	4.13	3.27
Jun				4.01	5.79	4.24	3.28

Source:
Statistics Canada (Catalogue 55-002)

Note:
(a) The rising average sales realizations for the years 1981 to 1983 reflect the imposition of the Natural Gas and Gas Liquids Tax.

A5 Canadian Crude Oil Prices

	Conventional Crude Oil Wellhead Price[a]		Petroleum Compensation & Other Charges		Cost of Crude Oil Exclusive of Transportation[b]		Refiner Acquisition Cost at Montreal	
	$/bbl	$/m³	$/bbl	$/m³	$/bbl	$/m³	$/bbl	$/m³
1981								
Jan 1	17.75	111.70	5.05	31.77	22.80	143.47	24.07	151.47
1982								
Jan 1	23.50	147.89	7.45	46.89	30.95	194.78	32.54	204.77
1983								
Jan 1	29.75	187.22	4.91	30.89	34.66	218.11	35.79	225.25
1984								
Nov 10	29.75	187.22	7.69	48.39	37.44	235.61	39.44	248.21
1985								
Jun 1	36.40	229.06					38.30	241.02
1986								
Jan	32.79	206.34					34.76	218.93
Feb	22.20	139.70					24.18	152.16
Jul	14.60	91.88					16.58	104.34
Dec	19.23	121.01					21.30	134.04
1987								
Jan	22.74	143.10					24.87	156.51
Mar	20.36	128.13					22.48	141.47
Jul	25.17	158.39					27.32	171.92
Dec	20.95	131.84					23.14	145.62
1988								
Mar	17.67	111.20					19.81	124.66
Jun	18.43	115.98					20.55	129.32
Sep	15.94	100.31					18.05	113.71
Dec	16.04	100.94					18.15	114.22
1989								
Jan	18.52	116.55					20.67	130.05
Feb	18.43	115.98					20.57	129.47
Mar	19.84	124.83					21.99	138.34
Apr	21.88	137.71					24.03	151.21
May	21.72	136.67					23.86	150.18
Jun	21.53	135.47					23.68	149.00
Jul	21.57	135.71					23.74	149.37
Aug	19.47	122.54					21.66	136.32
Sep	20.57	129.45					22.77	143.29
Oct	21.33	134.23					23.53	148.07
Nov	20.85	131.21					23.05	145.05
Dec	21.62	136.06					23.81	149.84
1990								
Jan	23.56	148.26					25.76	162.11
Feb	24.16	152.04					26.37	165.59
Mar	21.84	137.44					24.04	151.28
Apr	19.11	120.26					21.49	135.24
May	19.07	120.01					21.45	134.99
Jun	16.96	106.73					19.35	121.77
Jul	18.48	116.29					20.86	131.27
Aug	28.26	177.84					30.64	192.82

Source:
Energy, Mines and Resources Canada, Oil and Gas Branch

Notes:
(a) Starting June 1, 1985, i.e. following deregulation, the wellhead price shown here is the Edmonton purchase price less estimated gathering costs of approximately $3.96/m³ (63¢/bbl).
(b) Gathering and transportation costs, and charges as applicable, make up the difference between the wellhead price and the refiner acquisition cost at Montreal. These costs amounted to $14.98/m³ ($2.38/bbl) on August 1, 1990.

A6 Average Crude Oil Refiner Acquisition Costs by Region

in dollars per cubic metre[1]

	British Columbia	Prairie Provinces	Ontario	Quebec[2]	Atlantic[2]	Total Canada
1988						
Dec	103.73	102.56	105.53	107.58	111.01	105.47
1989						
Sep	136.15	131.32	140.14	130.97	130.31	134.08
Oct	137.47	135.36	140.64	139.30	142.24	138.31
Nov	140.16	136.16	143.08	141.94	142.88	140.71
Dec	141.37	139.97	142.98	145.51	147.42	143.29
1990						
Jan	146.03	151.03	150.18	150.39	157.84	151.14
Feb	155.75	155.10	159.15	158.32	163.60	158.82
Mar	156.24	141.95	159.62	146.40	150.06	150.30
Apr	147.87	119.88	146.72	136.97	138.51	135.82
May	131.48	118.39	130.57	130.35	125.30	126.46
Jun	124.97	109.43	131.24	117.05	115.59	119.85
Jul	119.83	114.71	124.09	114.11	113.80	117.51
Aug	141.05	177.16	138.55	147.30	163.35	154.70

Source:
Energy, Mines and Resources Canada, Oil and Gas Branch

(1) The variation in average refiner acquisition cost by region is due to quality differences and the lag time between the actual purchase and delivery dates. Assuming an estimated delivery time from Edmonton to Montreal of six weeks, receipts of any given month at Montreal reflect a mixture of crude purchases made during the two previous months.

(2) The exact average cost of crude oil imports is not available for Quebec and the Atlantic region due to confidentiality considerations. Therefore, the average cost of imports for total eastern Canada has been used to determine the regional averages for Quebec and Atlantic.

A7 Average Crude Oil Transportation Costs from Edmonton

in dollars per cubic metre[1]

	Vancouver	Regina	Sarnia	Toronto	Montreal
1988					
Dec	5.78	2.05	7.24	7.86	9.38
1989					
Sep	6.72	2.25	7.54	8.24	9.89
Oct	6.72	2.25	7.52	8.21	9.87
Nov	6.72	2.25	7.50	8.20	9.85
Dec	6.72	2.25	7.48	8.17	9.83
1990					
Jan	6.39	2.25	7.52	8.21	9.85
Feb	6.39	2.25	7.60	8.29	9.94
Mar	6.39	2.25	7.54	8.23	9.88
Apr	7.07	2.76	8.27	9.10	11.03
May	8.42	2.76	8.30	9.13	11.06
Jun	8.42	2.76	8.29	9.12	11.05
Jul	8.42	2.76	8.24	9.07	11.00
Aug	8.42	2.76	8.24	9.07	10.99
Sep	8.42	2.76	8.30	9.13	11.06

Source:
Energy, Mines and Resources Canada, Oil and Gas Branch

(1) Includes pipeline tariffs and pipeline losses but excludes trucking charges.

A8 **Canadian Acquisition Costs vs. Product Prices** in cents per litre

	Average Unit Revenue from Total Petroleum Product Sales[1]	Average Unit Refiner Acquisition Cost (lagged 60 days)[2]	Differential (To cover R&M Costs and Profits, and Retail Margin)
1985			
Dec	33.74	23.47	10.27
1986			
Dec	23.34	12.50	10.84
1987			
Jan	22.74	12.48	10.26
Feb	23.86	12.90	10.96
Mar	24.08	14.02	10.06
Apr	24.20	14.77	9.43
May	23.38	14.32	9.06
Jun	24.34	14.88	9.46
Jul	24.54	15.00	9.54
Aug	24.79	15.49	9.30
Sep	25.14	16.17	8.97
Oct	24.65	16.44	8.21
Nov	25.00	15.89	9.11
Dec	24.99	15.45	9.54
1988			
Jan	24.43	15.46	8.97
Feb	23.98	14.69	9.29
Mar	23.63	13.80	9.83
Apr	23.31	13.20	10.11
May	22.88	12.41	10.47
Jun	22.62	12.43	10.19
Jul	22.84	12.71	10.13
Aug	22.16	12.41	9.75
Sep	21.81	11.61	10.20
Oct	21.61	11.43	10.18
Nov	21.67	11.06	10.61
Dec	20.67	10.38	10.29
1989			
Jan	21.22	10.03	11.19
Feb	21.75	10.55	11.20
Mar	22.05	11.79	10.26
Apr	22.44	12.56	9.88
May	23.35	13.16	10.19
Jun	23.36	14.11	9.25
Jul	23.71	14.46	9.25
Aug	23.55	14.38	9.17
Sep	23.48	14.25	9.23
Oct	23.19	13.49	9.70
Nov	23.39	13.41	9.98
Dec	23.27	13.83	9.44
1990			
Jan	24.30	14.07	10.23
Feb	25.00	14.33	10.67
Mar	25.12	15.11	10.01
Apr	24.96	15.88	9.08
May	25.32	15.03	10.29
Jun	24.87	13.58	11.29
Jul	24.30	12.65	11.65

Sources:
(1) Statistics Canada, Prices Division
(2) Energy, Mines and Resources Canada, Oil and Gas Branch

A9 Average Net Prices for Selected Major Petroleum Products and Trade Classes by Region in cents per litre[1]

First six months

	1989	1990	Change[2]
Regular Unleaded Gasoline – Branded Retail			
Atlantic	27.7	29.7	2.0
Quebec	27.6	30.0	2.4
Ontario	24.8	26.3	1.5
Prairies	24.9	28.7	3.8
Pacific	27.2	31.6	4.4
Total Canada	25.9	28.4	2.5
Diesel Fuel – Commercial and Industrial			
Atlantic	20.7	22.8	2.1
Quebec	19.3	22.5	3.2
Ontario	18.9	21.9	3.0
Prairies	18.7	21.4	2.7
Pacific	19.3	22.0	2.7
Total Canada	19.1	21.9	2.8
Light Fuel Oil – Branded Retail			
Atlantic	25.7	29.6	3.9
Quebec	24.3	27.6	3.3
Ontario	26.8	31.0	4.2
Pacific	26.7	28.7	2.0
Total Canada	25.8	29.5	3.7
Heavy Fuel Oil # 6 – All trade classes			
Atlantic	11.3	12.4	1.1
Quebec	9.7	11.8	2.1
Ontario	11.4	13.3	1.9
Pacific	9.3	12.0	2.7
Total Canada	11.2	13.1	1.9
Total Petroleum Products[3] – All trade classes			
Atlantic	21.6	24.4	2.8
Quebec	21.8	23.6	1.8
Ontario	22.4	24.5	2.1
Prairies	22.7	26.3	3.6
Pacific	23.3	26.4	3.1
Total Canada	22.4	24.9	2.5

Source:
Statistics Canada, Prices Division

(1) Weighted average prices shown were derived from volumes and sales revenue data reported through a survey of major refiners for a wide range of finely specified products and trade classes. The prices are net of provincial road taxes, federal sales and excise taxes, and dealer margins.

(2) This represents the change in net prices compared to the year earlier period.

(3) This represents the summation of petroleum products from the sample selection reported to Statistics Canada in their survey.

A10 Petroleum Product Prices for Selected Major Products Sold to Private Brand Resellers

First six months

	1989		1990	
	Price ¢ / litre	Market Share(1) %	Price ¢ / litre	Market Share(1) %
Premium Unleaded Gasoline				
Quebec	22.1	10.9	23.6	13.1
Ontario	21.1	13.1	23.9	13.1
Prairies	20.2	5.5	23.5	4.8
Regular Unleaded Gasoline				
Quebec	18.9	15.6	20.4	14.1
Ontario	19.4	23.5	21.2	23.1
Prairies	19.1	9.7	21.5	7.9
Regular Leaded Gasoline				
Quebec	18.2	20.7	20.3	17.3
Ontario	18.8	24.2	19.9	21.9
Prairies	16.8	15.9	19.1	13.5
Diesel Fuel				
Quebec	18.8	15.4	20.4	14.0
Ontario	17.9	11.9	20.0	8.9
Light Fuel Oil				
Quebec	17.3	25.6	19.1	23.9
Ontario	17.4	28.4	20.1	27.0
Pacific	20.3	16.2	22.5	16.6

Source:
Statistics Canada, Prices Division

(1) Reflects an estimated market share of sales by reporting refiners, excluding product imports.

A11 Oil Products Sales Volumes: Refiners and Marketers

in millions of cubic metres
First six months

	Nationals			Regionals			Total		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Clean Products	23.8	23.2	– 2	10.8	11.6	8	34.5	34.8	1
Heavy and Specialty Products	5.2	4.8	– 8	2.7	2.7	–	7.9	7.5	– 5
Total Sales	**29.0**	**28.0**	**– 3**	**13.4**	**14.3**	**6**	**42.4**	**42.3**	**–**
less: Exports	1.4	1.7	20	1.0	1.0	–	2.5	2.7	11
Gross Sales in Canada	**27.6**	**26.3**	**– 5**	**12.4**	**13.2**	**7**	**39.9**	**39.5**	**– 1**
less: Sales to Other Refiners	0.8	–	–	0.2	1.1	386	1.0	1.1	10
Net Sales in Canada	**26.8**	**26.3**	**– 2**	**12.1**	**12.1**	**–**	**39.0**	**38.5**	**– 1**

A12 Net Income by Sector and Segment in millions of dollars

First six months

	1989	1990	Change	Change %
Canadian-Controlled Companies				
Upstream	300	189	- 112	- 37
Downstream	219	95	- 124	- 57
Other Canadian Operations	- 27	- 60	- 33	-
Foreign Activities	11	24	13	117
Total Canadian-Controlled	**503**	**247**	**- 256**	**- 51**
Foreign-Controlled Companies				
Upstream	197	197	1	-
Downstream	464	227	- 237	- 51
Other Canadian Operations	- 135	56	191	-
Foreign Activities	85	70	- 16	- 19
Total Foreign-Controlled	**610**	**549**	**- 62**	**- 10**
Total Industry				
Upstream	497	386	- 111	- 22
Downstream	683	321	- 362	- 53
Other Canadian Operations	- 163	- 5	158	-
Foreign Activities	97	94	- 3	- 3
Grand Total	**1114**	**796**	**- 318**	**- 29**

A13 Rates of Return: Canadian Petroleum Industry in percent

	1985	1986	1987	1988	1989	First Six Months 1990	Five-Year Average ending in 1989	Five-Year Average ending in 1990
Return on Average Capital Employed								
Upstream								
Canadian-Controlled Companies	9.6	- 4.2	4.9	4.4	2.7	3.5	3.5	2.3
Foreign-Controlled Companies	9.4	3.9	9.0	3.0	3.2	2.8	5.7	4.4
Total Industry	9.5	- 1.0	6.6	3.6	3.0	3.1	4.3	3.1
Downstream[a]								
Canadian-Controlled Companies	- 1.8	5.9	3.9	6.8	4.4	2.6	3.8	4.7
Foreign-Controlled Companies	3.2	7.5	8.2	9.3	6.7	4.9	7.0	7.3
Total Industry*	1.4	6.8	6.4	8.3	5.8	4.0	5.7	6.3
Total Operations[b]								
Canadian-Controlled Companies	4.8	- 4.6	4.8	4.6	3.6	3.7	2.6	2.4
Foreign-Controlled Companies	7.2	4.4	8.4	5.0	4.1	4.4	5.8	5.3
Total Industry	5.8	- 0.9	6.4	4.8	3.9	4.1	4.0	3.7
*Memo:								
National Refiners/Marketers	1.2	6.6	5.9	6.7	5.5	2.1	5.2	5.4
Regional Refiners/Marketers	2.8	7.4	7.7	12.0	6.4	7.7	7.3	8.2
Return on Average Equity								
Total Operations[b]								
Canadian-Controlled Companies	5.5	- 19.9	5.2	5.0	2.5	2.8	- 0.3	- 0.9
Foreign-Controlled Companies	11.0	5.9	12.6	6.0	4.0	5.2	7.9	6.7
Total Industry	8.2	- 7.5	8.9	5.5	3.3	4.1	3.7	2.8

Notes:

(a) Downstream here represents oil products operations only, i.e. it excludes petrochemical and other downstream operations.

(b) Upstream, downstream (includes petrochemicals and other downstream activities), 'other Canadian' and foreign operations.

A14 Rates of Return: Non-Financial Industries Excluding Petroleum

in percent

	1985	1986	1987	1988	1989	First Six Months 1990	Five-Year Average ending in 1989	Five-Year Average ending in 1990
Return On Shareholders Equity[a]								
Non-Financial Industries	9.7	9.6	11.4	13.5	10.9	8.3	11.0	10.7
Manufacturing	10.2	10..5	13.3	17.0	11.8	2.4	12.6	12.0
Mining	0.7	1.2	10.8	12.7	14.4	6.4	7.9	9.1
Other Industries	11.3	10.5	9.4	9.8	9.1	9.7	10.0	9.7
Return On Capital Employed[b]								
Non-Financial Industries	7.6	7.4	8.6	9.4	8.0	6.5	8.2	8.0
Manufacturing	8.4	8.5	10.3	12.3	8.9	6.1	9.7	9.2
Mining	1.9	2.2	8.7	9.6	10.9	6.3	6.6	7.5
Other Industries	7.9	7.5	6.9	7.1	6.9	6.8	7.3	7.0

Source: Statistics Canada 61-003, Industrial Corporations Quarterly

Notes:

(a) Return on equity is defined as net profit after tax and extraordinary items, divided by average book equity. It measures the rate of return on shareholders' investment (paid-in capital and retained earnings). This measure is often used to compare the performance of companies that may vary by type and by size.

(b) Capital employed is defined as total assets less current liabilities. The net income figures used to compute rate of return on capital employed have been adjusted by adding the after-tax interest expense on borrowed funds.

A15 Reinvestment Rates in percent

First six months

	Total[a]		Upstream[b]		Upstream[c] plus Downstream	
	1989	1990	1989	1990	1989	1990
Integrateds & Refiners	62	64	71	63	53	59
Oil and Gas Producers						
Senior Producers	70	88	66	87	64	84
Junior Producers	110	126	117	131	118	129
Total Oil and Gas Producers	83	103	82	104	81	101
Total Industry	**74**	**87**	**78**	**91**	**67**	**82**
Canadian-Controlled	81	100	86	101	73	93
Foreign-Controlled	69	77	73	82	63	73

Notes:

(a) Total capital expenditures (net of incentive grants) as a percentage of total internal cash flow. The calculations do not reflect changes in inventories. Had changes in the cost of inventories been included, the reinvestment rate would have been 92% in the first six months of 1989 vs. 83% in 1990.

(b) Upstream capital expenditures (net of incentive grants) in Canada as a percentage of upstream cash flow.

(c) Net upstream plus downstream ('petroleum-related') capital expenditures in Canada as a percentage of internal cash flow generated by petroleum-related activities.

A16 Gross Exploration Expenditures in Canada by Area in millions of dollars

First six months

	1989	1990	Change %
Provincial Lands			
British Columbia	194	223	15
Alberta	900	961	7
Saskatchewan	63	68	9
Other Provinces	3	5	31
Total Provincial Lands	**1160**	**1257**	**8**
Canada Lands			
Beaufort Sea	83	29	– 65
Labrador East	63	55	– 13
Atlantic Shelf South	9	15	64
Other Canada Lands	28	29	3
Total Canada Lands	**183**	**128**	**– 30**
Total Canada	**1343**	**1386**	**3**

A17 Well Completions and Metres Drilled in Canada

First six months

	Exploratory			Development		
	1989	1990	Change %	1989	1990	Change %
Well Completions in number of wells						
British Columbia	56	99	77	81	89	10
Alberta	897	1115	24	1044	754	– 28
Saskatchewan	214	168	– 21	348	323	– 7
Other Provinces	39	35	– 10	31	57	84
Northern Canada[a]	2	16	650	2	–	–
Offshore[b]	2	1	– 50	–	–	–
Total	**1210**	**1434**	**– 88**	**1506**	**1223**	**– 19**
Metres Drilled in thousands						
British Columbia	90	158	76	146	130	– 11
Alberta	1296	1505	16	1145	842	– 26
Saskatchewan	176	171	– 3	271	273	1
Other Provinces	32	23	– 28	18	39	117
Northern Canada[a]	6	23	283	–	–	–
Offshore[b]	6	3	– 50	–	–	–
Total	**1606**	**1883**	**17**	**1590**	**1284**	**– 19**

Source:
Oilweek, July 23, 1990

Notes:
(a) All areas in Canada North of 60°, including Hudson Bay.
(b) East coast and West coast offshore areas.

A18 Comparison of Interest Charges with Income before Interest and Taxes: 1990 in millions of dollars[a]

First six months

	(1) Income Before Interest and Taxes	(2) Interest Charges Incurred	(3) Interest Coverage Ratio times
Integrateds and Refiners	**1497**	**604**	**2.5**
Oil and Gas Producers			
Senior Producers	690	399	1.7
Junior Producers	421	256	1.6
Total Oil and Gas Producers	1110	655	1.7
Total Industry	**2607**	**1259[b]**	**2.1**
Canadian-Controlled	925	564	1.6
Foreign-Controlled	1683	695	2.4

Notes:

(a) The figures in Column 1 represent the total of income from total operations before taxes and expensed interest. Column 2 shows total interest charges incurred (both expensed and capitalized). Column 3 is the ratio of Column 1 to Column 2.

(b) In addition to the $1.2 billion of interest charges expensed in the first six months of 1990, $70 million was capitalized (mostly by foreign-controlled companies).

A19 Dividend Payments

First six months

	1989	1990	1989	1990
	$ millions		% of net income[a]	
Integrateds and Refiners	**519**	**387**	**66**	**63**
Oil and Gas Producers				
Senior Producers	200	324	94	523
Junior Producers	78	63	72	52
Total Oil and Gas Producers	278	387	87	211
Total Industry	**798**	**774**	**72**	**97**
Canadian-Controlled	334	358	66	145
Foreign-Controlled	464	415	76	76

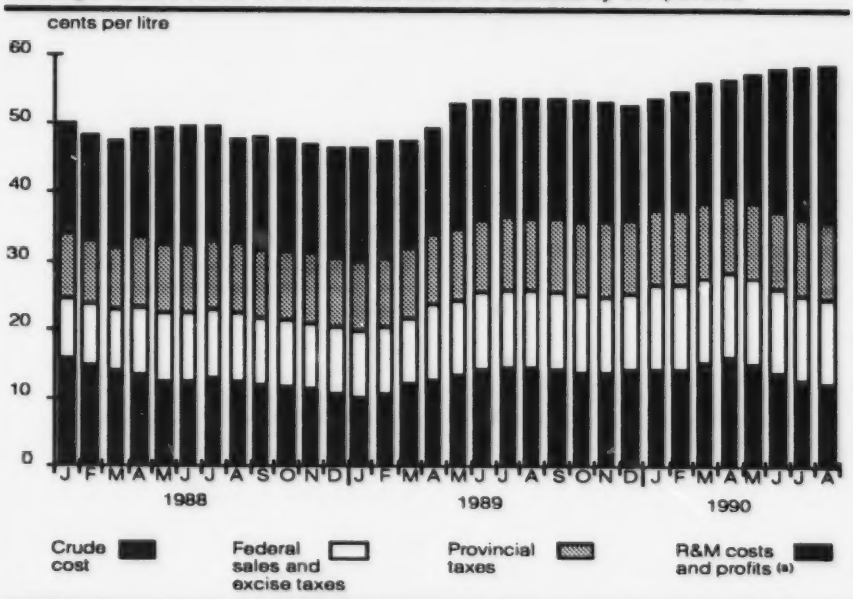
Note:

(a) Derived by dividing dividend payments for each company group by their net income on total operations (Appendices B1 to 7 and B10).

A20 **Income and Expense Statement** as percent of revenues

	1981	1982	1983	1984	1985	1986	1987	1988	1989	First Half 1990
Upstream										
Revenues	100	100	100	100	100	100	100	100	100	100
Royalties and other Payments	29	27	25	24	23	19	17	16	16	16
PGRT and other Taxes	6	9	8	8	7	3	–	–	–	–
Interest Expenses	–	7	6	6	6	10	9	9	7	7
Operating Costs and other Cash Items	27	20	18	18	20	32	29	38	37	38
Current Income Taxes	8	9	11	11	11	5	6	–	2	5
Cash Flow	31	28	31	32	34	32	38	37	37	34
Depreciation, Depletion and Amortization	8	8	12	10	11	25	21	24	24	23
Other Non-cash Charges	8	5	4	4	4	7	5	9	6	7
Deferred Income Tax	5	5	5	7	6	–	2	1	3	–
Extraordinary Gains	–	–	–	–	– 1	– 12	1	1	–	–
Net Income	10	10	11	11	12	– 11	11	5	4	4
Downstream										
Revenues	100	100	100	100	100	100	100	100	100	100
Sales, Excise and other Taxes	6	6	6	6	7	11	15	16	16	17
Cost of Goods Sold	75	80	83	80	79	68	64	58	59	61
Interest Expenses	–	1	1	1	1	–	–	–	1	1
Operating Costs and other Cash Items	10	10	10	9	10	13	13	14	15	14
Current Income Taxes	3	– 1	– 1	–	–	2	2	3	2	1
Cash Flow	7	4	3	3	3	6	6	9	7	5
Depreciation, Depletion and Amortization	1	2	2	2	3	2	3	3	3	3
Other Non-cash Charges	–	–	–	–	–	–	–	–	–	–
Deferred Income Tax	1	1	1	–	–	–	–	1	–	–
Extraordinary Gains	–	–	–	–	–	– 1	–	–	–	–
Net Income	4	1	–	1	1	3	3	5	3	2

A21 **Average Retail Price of Motor Gasoline in Canada** by Components



Source:
Energy, Mines and Resources Canada, Oil and Gas Branch

Note:
(a) Refining and Marketing (R&M) costs and profits is the residual revenue available to recover the refining, marketing, transportation and distribution costs and to provide a return on investment and a dealer margin.

A22 International Flows of Funds: 1989 in millions of dollars

	Current Account				Capital Account			
	Interest	Dividends	Business Service Payments	Total	Direct	Other	Total	Grand Total
International Transactions Related to Long-Term Investments in Canada								
Canadian-Controlled	-185	-9	-5	-199	91	464	555	356
Foreign-Controlled	-770	-613	-217	-1600	-2902	2612	-290	-1890
Inflows (Outflows)	**-955**	**-622**	**-222**	**-1799**	**-2811**	**3076**	**265**	**-1534**
International Transactions Related to Long-Term Investments Abroad								
Canadian-Controlled	7	145	3	155	-672	30	-642	-487
Foreign-Controlled	14	9	63	86	99	13	112	198
Inflows (Outflows)	**21**	**154**	**66**	**241**	**-573**	**43**	**-530**	**-289**
Total								
Canadian-Controlled	-178	136	-2	-44	-581	494	-87	-131
Foreign-Controlled	-756	-604	-154	-1514	-2803	2625	-178	-1692
Inflows (Outflows)	**-934**	**-468**	**-156**	**-1558**	**-3384**	**3119**	**-265**	**-1823**
International Transactions Related to Short-Term Investments								
Canadian-Controlled					31	-604	-573	
Foreign-Controlled					-634	-23	-657	
Inflows (Outflows)					**-603**	**-627**	**-1230**	

Note:
Direct transactions are those which are between related companies (non-arm's length).

A23 Capital Employed by Component in millions of dollars

	1988			1989		
	Canadian-Controlled	Foreign-Controlled	Total	Canadian-Controlled	Foreign-Controlled	Total
Long-Term Debt						
Bonds, Debentures, etc.	3569	6238	9807	3756	5985	9741
Bank loans	3401	4861	8262	4104	7201	11305
Other	1111	1752	2863	741	1935	2676
Total Long-Term Debt	**8081**	**12851**	**20932**	**8602**	**15120**	**23722**
Equity						
Preferred Shares	3983	1012	4995	3439	1448	4887
Common Shares						
Book Value	11838	5126	16964	10255	6516	16771
Retained Earnings	2894	14056	16950	4438	12004	16442
Contributed Surplus	751	852	1603	1045	864	1909
Total Equity Value	**19466**	**21046**	**40512**	**19177**	**20832**	**40009**
Total Capital Employed	**27547**	**33897**	**61444**	**27779**	**35952**	**63731**
Minority Interest	**71**	**373**	**444**	**85**	**-**	**85**
Long-Term Debt by Interest Rate						
Fixed Rate	4212	5977	10189	4485	6986	11471
Floating (Prime or Libor)	3869	6874	10743	4116	8135	12251
- as percent of the total	*47.9*	*53.5*	*51.3*	*47.8*	*53.8*	*51.6*

A24 Long-Term Debt by Country, Currency and Interest Rate: 1989

in millions of dollars

Interest Rate	Type of Currency	Long-Term Debt Held in: Canada	U.S.A.	Other	Total
Fixed	Cdn. $	3751	1122	325	5198
	U.S. $	802	4230	1132	6164
	Other	40	–	68	108
	Total	4593	5352	1525	11470
Floating	Cdn. $	4368	226	474	5068
	U.S. $	2895	3471	354	6720
	Other	–	–	463	463
	Total	7263	3697	1291	12251
Total	Cdn. $	8119	1348	799	10266
	U.S. $	3697	7701	1486	12884
	Other	40	–	531	571
	Total	11856	9049	2816	23721

A25 Current Year Deductions and Tax Pools Remaining[1] in millions of dollars

	Canadian-Controlled			Foreign-Controlled		
	Deductions	Remaining Balance	Utilization Rate[2] %	Deductions	Remaining Balance	Utilization Rate[2] %
1988						
CCA	1076	6044	15	1318	6054	18
CEE	621	1010	38	803	1031	44
CDE	460	1345	26	431	1520	22
Earned Depletion	84	662	11	176	1200	13
COGPE	237	3050	7	299	3055	9
FE&D	53	473	10	38	237	14
Total	**2533**	**12585**	**17**	**3098**	**13246**	**19**
1989						
CCA	1142	6008	16	1650	6350	21
CEE	530	1138	32	828	1101	43
CDE	369	1293	22	392	1314	23
Earned Depletion	60	654	8	164	1048	14
COGPE	247	2899	8	244	3122	7
FE&D	89	510	15	62	228	21
Total	**2438**	**12502**	**16**	**3377**	**13288**	**20**

(1) Abbreviations:
CCA = Capital Cost Allowance
CEE = Canadian Exploration Expense
CDE = Canadian Development Expense
Earned Depletion = Earned Depletion Allowance
COGPE = Canadian Oil and Gas Property Expense
FE&D = Foreign Exploration and Development Expense
Totals include other tax categories that are not individually specified, such as Cummulative Offset Account (COA), with remaining pools of approximately $800 million.

(2) Utilization rate is the ratio of deductions to remaining balances before deductions.

Appendix B Complete Survey Results

B1

Income and Expense Statement – All Operations in millions of dollars
Total Industry
First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1988	1989	Change %	1988	1989	Change %	1988	1989	Change %	1988	1989	Change %	1988	1989	Change %
Total Revenues	8652	8698	0.5	13670	15249	11.5	1323	1453	9.8	745	756	1.5	24391	26156	7.2
Royalties & other Payments	1388	1386	-0.1	0	0	–	0	0	–	0	0	–	1388	1386	-0.1
Sales, Excise & other Taxes	0	0	–	2137	2508	17.3	5	2	-59.7	32	28	-12.8	2175	2538	16.7
Total Revenues after Royalties and Taxes	7265	7312	0.6	11533	12741	10.5	1318	1451	10.1	713	728	2.1	20828	22232	6.7
Cost of Goods Sold	0	0	–	7894	9428	19.4	631	640	1.4	171	209	22.3	8696	10277	18.2
Interest Expenses	655	581	-11.2	101	155	53.6	468	423	-9.8	6	28	–	1229	1187	-3.5
Operating Costs	3032	3188	5.1	1970	2109	7.0	440	333	-24.4	153	157	2.8	5595	5786	3.4
R&D Costs (Excluding Oil Sands)	20	16	-17.8	25	25	0.8	0	0	74.1	4	5	15.1	49	47	-5.3
Other Expenses	69	88	27.2	1	8	–	34	58	70.8	8	5	-40.9	112	159	41.8
Oil Sands R&D Expensed	9	10	6.2	0	0	–	0	0	–	0	0	17.5	9	10	6.3
E&D Expensed	494	550	11.3	0	0	–	17	13	-23.2	52	29	-44.3	563	592	5.1
Depreciation	592	540	-8.8	388	483	24.7	96	77	-19.4	31	33	5.3	1107	1133	2.4
Depletion	1131	1201	6.2	0	0	–	12	10	-10.0	132	116	-12.4	1275	1327	4.1
Write-Offs & Amortization	389	303	-22.0	24	2	-93.5	-46	-14	–	4	2	-42.5	371	293	-20.9
Non-Cash Charges and E&D	2615	2604	-0.4	412	485	17.8	78	86	10.8	219	180	-18.0	3324	3355	0.9
Income before Taxes	873	834	-4.5	1129	531	-53.0	-334	-89	–	153	145	-5.2	1821	1420	-22.0
Federal Income Tax[1]	199	354	77.6	245	154	-37.2	-72	-52	–	47	39	-17.7	420	495	17.8
Provincial Income Taxes	-6	90	–	108	61	-43.8	-41	-42	–	0	3	–	60	111	84.7
Current Income Taxes	194	444	129.4	353	214	-39.2	-113	-94	–	47	42	-11.3	480	606	26.2
Income after Current Income Taxes	680	390	-42.6	776	316	-59.2	-221	5	–	106	103	-2.5	1341	814	-39.3
Deferred Income Taxes	167	-12	–	95	-5	–	-54	9	–	5	9	92.6	213	2	-98.9
Net Income after Taxes	512	403	-21.4	682	321	-52.9	-167	-5	–	101	94	-7.1	1128	812	-28.0
Extraordinary Items	-16	-17	–	1	0	-62.3	4	0	–	-4	0	–	-15	-16	–
Net Income after Extraordinary Items	497	386	-22.3	683	321	-52.9	-163	-5	–	96	94	-3.0	1114	796	-28.5
Internal Cash Flow	3295	2995	-9.1	1188	801	-32.5	-143	91	–	325	283	-12.9	4665	4170	-10.6

(1) Includes Large Corporations Tax.

B2

Income and Expense Statement – All Operations in millions of dollars

Integrateds and Refiners

First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	2907	2830	-2.7	13349	14921	11.8	722	1005	39.1	118	127	7.2	17097	18883	10.4
Royalties & other Payments	435	416	-4.4	0	0	–	0	0	–	0	0	–	435	416	-4.4
Sales, Excise & other Taxes	0	0	–	2137	2508	17.3	2	2	8.5	0	0	–	2139	2510	17.3
Total Revenues after Royalties and Taxes	2472	2414	-2.3	11212	12414	10.7	720	1002	39.2	118	127	7.2	14522	15957	9.9
Cost of Goods Sold	0	0	–	7776	9297	19.6	550	549	-0.2	73	93	27.2	8399	9940	18.3
Interest Expenses	41	33	-20.3	95	140	47.4	385	387	0.5	0	3	–	522	563	7.9
Operating Costs	1151	1200	4.3	1872	2004	7.0	113	92	-18.9	10	13	28.9	3147	3309	5.2
R&D Costs (Excluding Oil Sands)	13	12	-11.2	25	25	0.8	0	0	7.8	0	0	–	38	37	-3.2
Other Expenses	1	-5	–	1	8	–	16	46	199.5	2	0	–	19	49	154.9
Oil Sands R&D Expensed	0	0	–	0	0	–	0	0	–	0	0	–	0	0	–
E&D Expensed	163	182	11.9	0	0	–	6	5	-26.8	9	9	8.1	178	196	10.4
Depreciation	201	165	-17.6	356	452	26.8	44	45	2.2	1	1	59.6	602	664	10.2
Depletion	176	192	9.1	0	0	–	0	2	–	12	5	-57.1	188	199	5.9
Write-Offs & Amortization	159	85	-46.5	25	2	-90.5	-51	-22	–	1	0	–	134	66	-50.8
Non-Cash Charges and E&D	700	626	-10.6	381	454	19.1	-0	30	–	22	16	-27.9	1102	1125	2.1
Income before Taxes	567	549	-3.0	1062	485	-54.4	-344	-103	–	11	2	-79.0	1295	934	-27.9
Federal Income Tax(1)	126	127	0.7	236	147	-37.7	-87	-65	–	3	9	196.3	278	218	-21.6
Provincial Income Taxes	45	54	20.3	103	57	-44.6	-41	-44	–	0	4	–	107	71	-33.1
Current Income Taxes	171	181	5.8	339	204	-39.8	-128	-109	–	3	13	339.9	384	289	-24.8
Income after Current Income Taxes	396	369	-6.8	723	281	-61.2	-216	6	–	8	-10	–	911	645	-29.2
Deferred Income Taxes	80	59	-26.6	95	-9	–	-58	-14	–	3	-3	–	120	33	-72.7
Net Income after Taxes	316	310	-1.8	628	290	-53.9	-158	20	–	6	-8	–	791	612	-22.7
Extraordinary Items	0	0	–	1	0	-62.3	0	0	–	0	0	–	1	0	-62.3
Net Income after Extraordinary Items	316	310	-1.8	629	290	-53.9	-158	20	–	6	-8	–	792	612	-22.7
Internal Cash Flow	1095	994	-9.2	1104	735	-33.5	-216	36	–	30	5	-82.5	2013	1770	-12.1

(1) Includes Large Corporations Tax.

B3

Income and Expense Statement – All Operations in millions of dollars

Junior Oil and Gas Producers

First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	1794	1934	7.8	22	23	6.2	259	145	-44.1	238	259	8.9	2312	2361	2.1
Royalties & other Payments	311	340	9.3	0	0	–	0	0	–	0	0	–	311	340	9.3
Sales, Excise & other Taxes	0	0	–	0	0	–	0	0	–	16	17	7.1	16	17	7.1
Total Revenues after Royalties and Taxes	1483	1594	7.5	22	23	6.2	259	145	-44.1	222	242	9.0	1985	2004	0.9
Cost of Goods Sold	0	0	–	0	0	–	0	1	–	0	0	–	0	1	–
Interest Expenses	234	216	-7.6	2	3	2.5	25	25	-0.3	-1	2	–	260	246	-5.5
Operating Costs	550	562	2.2	10	10	0.6	160	70	-55.9	86	88	1.4	806	730	-9.4
R&D Costs (Excluding Oil Sands)	0	1	–	0	0	–	0	0	–	0	0	–	0	1	–
Other Expenses	54	56	3.8	0	0	-1.6	11	4	-63.3	5	4	-12.4	70	64	-7.9
Oil Sands R&D Expensed	1	1	-8.0	0	0	–	0	0	–	0	0	–	1	1	-8.0
E&D Expensed	50	52	3.4	0	0	–	0	0	–	0	1	–	50	53	6.2
Depreciation	91	92	1.9	3	3	4.0	15	7	-51.9	7	8	25.2	115	111	-3.6
Depletion	490	523	6.7	0	0	–	5	0	–	54	60	10.6	549	583	6.2
Write-Offs & Amortization	32	29	-7.3	0	0	32.5	8	4	-46.3	5	5	1.4	44	39	-13.1
Non-Cash Charges and E&D	663	697	5.1	3	3	5.4	27	11	-58.4	66	75	13.5	759	786	3.6
Income before Taxes	-18	62	–	6	7	18.0	36	33	-9.4	66	73	10.5	90	175	93.6
Federal Income Tax[1]	15	25	64.9	0	0	-78.9	14	11	-20.9	14	17	19.2	43	52	22.1
Provincial Income Taxes	-68	-39	–	0	0	-78.9	0	0	–	0	0	66.9	-67	-39	–
Current Income Taxes	-53	-14	–	0	0	-78.9	14	11	-21.7	14	17	19.6	-25	14	–
Income after Current Income Taxes	35	76	118.3	6	7	21.7	22	22	-1.9	52	56	8.1	115	161	40.3
Deferred Income Taxes	14	40	177.6	0	0	17.0	2	-1	–	-4	7	–	12	47	278.0
Net Income after Taxes	21	37	77.1	6	7	21.7	20	22	12.9	57	49	-13.5	103	115	11.8
Extraordinary Items	6	7	8.1	0	0	–	-12	0	–	11	0	–	6	7	23.2
Net Income after Extraordinary Items	27	43	60.8	6	7	21.7	8	22	183.6	68	49	-27.8	108	122	12.4
Internal Cash Flow	698	773	10.8	9	10	16.1	50	33	-32.9	118	131	11.1	874	947	8.4

[1] Includes Large Corporations Tax.

B4

Income and Expense Statement – All Operations in millions of dollars
Senior Oil and Gas Producers
First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	3951	3933	-0.5	299	304	1.7	343	304	-11.3	388	370	-4.8	4981	4911	-1.4
Royalties & other Payments	642	630	-1.8	0	0	-	0	0	-	0	0	-	642	630	-1.8
Sales, Excise & other Taxes	0	0	-	0	0	-	3	0	-	16	10	-33.2	19	10	-45.0
Total Revenues after Royalties and Taxes	3309	3303	-0.2	299	304	1.7	339	304	-10.4	373	359	-3.6	4321	4271	-1.2
Cost of Goods Sold	0	0	-	119	131	9.9	81	90	10.7	98	116	18.6	297	336	13.0
Interest Expenses	379	332	-12.5	3	12	260.5	58	10	-82.1	7	23	245.9	448	378	-15.6
Operating Costs	1331	1425	7.1	88	95	7.4	167	170	1.8	56	57	0.4	1643	1747	6.3
R&D Costs (Excluding Oil Sands)	7	4	-46.3	0	0	-	0	0	-	4	5	15.1	11	8	-22.6
Other Expenses	14	38	159.6	0	0	-	8	8	2.0	1	0	-63.7	23	46	98.5
Oil Sands R&D Expensed	9	9	6.4	0	0	-	0	0	-	0	0	17.5	9	9	6.5
E&D Expensed	281	316	12.3	0	0	-	10	8	-21.0	43	18	-58.0	335	342	2.2
Depreciation	301	282	-6.2	29	29	0.9	37	25	-32.3	24	23	-2.4	390	359	-7.9
Depletion	465	486	4.5	0	0	-	7	9	25.8	66	51	-23.5	538	545	1.4
Write-Offs & Amortization	198	189	-4.5	-1	-1	-	-3	3	-	-1	-2	-	192	188	-1.9
Non-Cash Charges and E&D	1253	1282	2.3	28	28	0.6	51	45	-11.6	132	89	-32.1	1463	1444	-1.3
Income before Taxes	325	223	-31.4	61	39	-36.2	-26	-19	-	75	69	-7.9	435	312	-28.4
Federal Income Tax(1)	58	202	247.3	9	7	-25.3	1	2	33.1	31	14	-54.9	99	225	126.1
Provincial Income Taxes	17	75	333.7	4	3	-23.9	-0	2	-	-0	-2	-	21	78	274.3
Current Income Taxes	76	277	267.0	14	10	-24.8	1	4	224.9	30	12	-59.8	120	303	151.9
Income after Current Income Taxes	249	-55	-	48	29	-39.5	-27	-23	-	45	57	26.7	315	9	-97.3
Deferred Income Taxes	73	-110	-	-1	4	-	2	24	-	7	5	-26.7	81	-77	-
Net Income after Taxes	176	56	-68.2	48	24	-49.6	-29	-47	-	39	52	35.8	234	86	-63.5
Extraordinary Items	-22	-24	-	0	0	-	16	0	-	-15	0	-	-21	-24	-
Net Income after Extraordinary Items	154	32	-79.0	48	24	-49.6	-12	-47	-	23	52	125.8	213	62	-70.9
Internal Cash Flow	1502	1227	-18.3	75	57	-24.7	24	22	-8.1	177	147	-17.1	1778	1453	-18.3

(1) Includes Large Corporations Tax.

B5

Income and Expense Statement – All Operations in millions of dollars

Total Oil and Gas Producers

First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	5745	5867	2.1	321	328	2.1	601	449	-25.4	626	629	0.4	7294	7272	-0.3
Royalties & other Payments	953	970	1.8	0	0	–	0	0	–	0	0	–	953	970	1.8
Sales, Excise & other Taxes	0	0	–	0	0	–	3	0	-99.8	32	28	-12.8	35	28	-21.1
Total Revenues after Royalties and Taxes	4792	4898	2.2	321	328	2.1	598	449	-25.0	594	601	1.1	6306	6275	-0.5
Cost of Goods Sold	0	0	–	119	131	9.9	81	91	12.4	98	116	18.6	297	337	13.4
Interest Expenses	613	548	-10.6	6	15	153.2	83	35	-57.7	5	25	368.8	708	624	-11.9
Operating Costs	1881	1987	5.7	98	105	6.7	327	241	-26.3	143	144	1.0	2449	2477	1.2
R&D Costs (Excluding Oil Sands)	7	5	-30.2	0	0	–	0	0	–	4	5	15.1	11	10	-12.6
Other Expenses	68	94	36.8	0	0	-1.6	19	12	-36.8	6	5	-21.3	93	110	18.4
Oil Sands R&D Expensed	9	10	5.1	0	0	–	0	0	–	0	0	17.5	9	10	5.2
E&D Expensed	331	367	11.0	0	0	–	10	8	-21.0	43	20	-54.8	385	395	2.7
Depreciation	391	374	-4.3	31	32	1.2	52	32	-37.9	30	31	3.7	505	470	-6.9
Depletion	955	1009	5.6	0	0	–	11	9	-24.5	120	111	-8.1	1087	1128	3.8
Write-Offs & Amortization	229	218	-4.9	-1	-1	–	4	7	63.3	3	2	-30.0	236	227	-4.0
Non-Cash Charges and E&D	1916	1978	3.3	31	31	1.1	78	56	-27.9	197	164	-16.9	2222	2230	0.4
Income before Taxes	307	285	-7.1	67	46	-31.4	10	13	29.6	141	142	0.7	526	487	-7.4
Federal Income Tax[1]	73	227	209.9	9	7	-26.1	15	13	-16.1	45	30	-31.7	142	277	94.8
Provincial Income Taxes	-50	36	–	4	3	-24.8	0	2	–	0	-1	–	-46	40	–
Current Income Taxes	23	263	–	14	10	-25.7	15	14	-3.4	44	29	-34.5	96	317	231.0
Income after Current Income Taxes	284	22	-92.4	53	36	-32.9	-5	-1	–	97	113	16.7	430	170	-60.5
Deferred Income Taxes	87	-71	–	-1	4	–	4	24	–	2	12	–	93	-31	–
Net Income after Taxes	197	92	-53.0	54	31	-42.1	-9	-25	–	95	101	6.5	337	200	-40.5
Extraordinary Items	-16	-17	–	0	0	–	4	0	–	-4	0	–	-16	-17	–
Net Income after Extraordinary Items	181	76	-58.1	54	31	-42.1	-5	-25	–	91	101	11.4	321	184	-42.8
Internal Cash Flow	2200	2000	-9.1	84	67	-20.5	74	55	-24.8	295	278	-5.8	2652	2400	-9.5

(1) Includes Large Corporations Tax.

B6

Income and Expense Statement – All Operations in millions of dollars
Canadian-Controlled Companies
First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	3338	3518	5.4	4621	5312	15.0	903	845	-6.4	258	280	8.2	9120	9955	9.1
Royalties & other Payments	491	520	6.0	0	0	–	0	0	–	0	0	–	491	520	6.0
Sales, Excise & other Taxes	0	0	–	684	785	14.7	5	2	-59.9	0	0	-25.2	690	787	14.1
Total Revenues after Royalties and Taxes	2847	2998	5.3	3936	4527	15.0	898	843	-6.1	258	280	8.2	7940	8648	8.9
Cost of Goods Sold	0	0	–	2670	3387	26.8	482	561	16.3	0	40	–	3153	3988	26.5
Interest Expenses	283	304	7.4	52	80	53.3	158	142	-9.9	9	15	69.8	502	540	7.8
Operating Costs	1190	1283	7.9	670	680	1.5	243	183	-24.8	73	78	6.6	2177	2224	2.2
R&D Costs (Excluding Oil Sands)	1	1	-12.7	2	5	194.8	0	0	–	0	0	–	3	6	113.4
Other Expenses	22	25	14.3	2	10	–	27	4	-85.2	9	6	-39.8	60	44	-25.8
Oil Sands R&D Expensed	1	1	3.1	0	0	–	0	0	–	0	0	–	1	1	3.1
E&D Expensed	94	190	103.1	0	0	–	6	6	-4.5	43	22	-49.6	143	218	52.4
Depreciation	266	223	-16.2	159	206	30.0	28	22	-22.7	28	27	-3.5	481	478	-0.6
Depletion	591	676	14.3	0	0	–	7	4	-47.0	66	53	-18.4	664	733	10.4
Write-Offs & Amortization	31	26	-13.5	16	2	-86.1	2	-2	–	5	3	-29.5	53	30	-43.5
Non-Cash Charges and E&D	983	1117	13.6	174	208	19.7	44	30	-32.5	141	106	-25.3	1342	1460	8.8
Income before Taxes	369	268	-27.3	366	157	-57.1	-56	-77	–	25	36	40.5	704	384	-45.4
Federal Income Tax(1)	62	69	11.3	55	45	-19.1	-4	-14	–	18	17	-5.6	131	116	-11.1
Provincial Income Taxes	-37	-17	–	25	19	-23.4	-8	-13	–	0	2	–	-20	-8	–
Current Income Taxes	24	51	109.3	80	64	-20.5	-12	-27	–	17	19	11.4	110	108	-2.1
Income after Current Income Taxes	344	217	-37.0	285	93	-67.5	-44	-50	–	8	16	102.7	594	276	-53.5
Deferred Income Taxes	50	35	-28.9	67	-2	–	-15	11	–	-11	-8	–	90	36	-60.0
Net Income after Taxes	295	182	-38.4	219	95	-56.6	-30	-60	–	20	24	22.9	503	240	-52.3
Extraordinary Items	5	7	30.9	0	0	–	2	0	–	-8	0	–	-0	7	–
Net Income after Extraordinary Items	300	188	-37.2	219	95	-56.7	-27	-60	–	11	24	116.7	503	247	-50.9
Internal Cash Flow	1327	1333	0.5	460	301	-34.4	-0	-20	–	150	122	-18.4	1936	1737	-10.3

(1) Includes Large Corporations Tax.

B7

Income and Expense Statement – All Operations in millions of dollars
Foreign-Controlled Companies
First six months

	Upstream			Downstream			Other Operations			Foreign Activities			Total Operations		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Revenues	5314	5180	-2.5	9049	9937	9.8	420	608	44.7	486	476	-2.1	15270	16201	6.1
Royalties & other Payments	897	866	-3.5	0	0	–	0	0	–	0	0	–	897	866	-3.5
Sales, Excise & other Taxes	0	0	–	1453	1723	18.6	0	0	–	32	28	-12.7	1485	1751	17.9
Total Revenues after Royalties and Taxes	4417	4314	-2.3	7597	8214	8.1	420	608	44.7	454	448	-1.4	12888	13584	5.4
Cost of Goods Sold	0	0	–	5224	6041	15.6	149	80	-46.6	171	169	-1.0	5543	6289	13.5
Interest Expenses	372	277	-25.4	49	75	53.9	310	280	-9.7	-3	13	–	728	646	-11.2
Operating Costs	1842	1904	3.4	1300	1429	9.9	197	150	-24.0	80	79	-0.7	3419	3562	4.2
R&D Costs (Excluding Oil Sands)	19	15	-18.1	23	20	-14.0	0	0	74.1	4	5	15.1	46	40	-12.9
Other Expenses	47	63	33.2	-1	-1	–	8	54	–	-2	-1	–	52	115	118.8
Oil Sands R&D Expensed	8	9	6.5	0	0	–	0	0	–	0	0	17.5	8	9	6.6
E&D Expensed	400	360	-10.2	0	0	–	11	7	-34.0	9	7	-18.3	420	374	-11.0
Depreciation	326	317	-2.8	229	277	21.0	68	55	-18.1	3	6	88.7	626	655	4.7
Depletion	540	525	-2.7	0	0	–	4	7	54.4	67	62	-6.4	611	594	-2.7
Write-Offs & Amortization	358	277	-22.7	9	-1	–	-49	-12	–	0	-1	–	318	263	-17.2
Non-Cash Charges and E&D	1633	1487	-8.9	238	277	16.4	34	57	67.0	78	74	-4.7	1982	1895	-4.4
Income before Taxes	505	566	12.2	763	374	-51.0	-278	-13	–	127	109	-14.4	1117	1036	-7.2
Federal Income Tax[1]	138	286	107.3	190	109	-42.5	-68	-38	–	30	22	-25.0	290	379	30.9
Provincial Income Taxes	31	107	242.2	82	41	-50.0	-33	-29	–	0	0	66.9	81	119	48.1
Current Income Taxes	169	393	132.3	272	150	-44.8	-101	-67	–	30	22	-24.6	370	498	34.6
Income after Current Income Taxes	336	174	-48.2	491	224	-54.5	-177	54	–	97	86	-11.2	747	538	-28.0
Deferred Income Taxes	118	-47	–	28	-3	–	-39	-1	–	16	17	4.0	123	-34	–
Net Income after Taxes	218	221	1.5	463	226	-51.2	-137	55	–	81	69	-14.3	625	572	-8.4
Extraordinary Items	-21	-24	–	1	0	-38.3	2	0	–	4	0	–	-14	-23	–
Net Income After Extraordinary Items	197	197	0.3	464	227	-51.2	-135	55	–	85	69	-18.6	610	549	-10.1
Internal Cash Flow	1968	1661	-15.6	729	500	-31.3	-143	111	–	175	161	-8.3	2729	2433	-10.9

(1) Includes Large Corporations Tax.

B8

Financial Performance for Main Business Segments
Upstream Operations
First six months

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Production of Oil Equivalent[1] in thousands of cubic metres	90034	88585	-1.6	35627	36398	2.2	54407	52187	-4.1
Key Financial Items in millions of dollars			%			%			%
Sales before Royalties and Taxes	8354	8457	1.2	3182	3393	6.6	5172	5064	-2.1
Other Revenues	299	241	-19.3	157	125	-20.0	142	116	-18.6
Gross Revenues	8652	8698	0.5	3338	3518	5.4	5314	5180	-2.5
Internal Cash Flow	3295	2995	-9.1	1327	1333	0.5	1968	1661	-15.6
Net Income	512	403	-21.4	295	182	-38.4	218	221	1.5
Net Income plus Interest	1167	984	-15.7	578	485	-16.0	589	498	-15.5
Capital Employed	55606	54466	-2.1	23706	24050	1.4	31900	30416	-4.7
Unit Revenues and Costs in dollars per cubic metre			%			%			%
Sales before Royalties and Taxes[2]	92.78	95.46	2.9	89.31	93.21	4.4	95.06	97.04	2.1
Other Revenues	3.32	2.72	-18.0	4.39	3.44	-21.7	2.61	2.22	-15.2
Gross Revenues	96.10	98.19	2.2	93.70	96.65	3.2	97.67	99.25	1.6
Royalties & Other Payments	15.41	15.65	1.5	13.78	14.29	3.7	16.49	16.59	0.7
Revenues after Royalties & Taxes	80.69	82.54	2.3	79.92	82.37	3.1	81.19	82.66	1.8
Interest Expenses	7.27	6.56	-9.8	7.94	8.34	5.1	6.83	5.32	-22.2
Operating Costs (excluding Research)	33.68	35.98	6.9	33.40	35.26	5.6	33.86	36.49	7.8
Research & Other Expenses	0.99	1.18	19.1	0.65	0.72	10.6	1.21	1.50	23.7
Cash Income before Taxes	38.75	38.82	0.2	37.94	38.04	0.3	39.28	39.35	0.2
E&D & Oil Sands R&D Expensed	5.59	6.32	13.0	2.66	5.26	97.7	7.51	7.06	-6.0
Depreciation	6.58	6.09	-7.3	7.47	6.12	-18.0	5.99	6.07	1.4
Depletion	12.56	13.56	7.9	16.60	18.57	11.9	9.92	10.07	1.4
Write-offs	4.32	3.42	-20.7	0.86	0.73	-15.3	6.58	5.30	-19.4
Net Income before Taxes	9.70	9.42	-2.9	10.35	7.36	-28.9	9.27	10.85	17.0
Federal Income Tax[3]	2.22	4.00	80.5	1.73	1.88	8.9	2.53	5.47	116.1
Provincial Income Taxes	-0.07	1.01	-	-1.04	-0.48	-	0.57	2.05	256.8
Deferred Income Taxes	1.86	-0.14	-	1.39	0.97	-30.4	2.17	-0.91	-
Net Income after Taxes	5.69	4.54	-20.2	8.27	4.99	-39.7	4.00	4.23	5.8
Extraordinary Items	-0.17	-0.19	-	0.15	0.19	28.1	-0.39	-0.45	-
Net Income after Extraordinary Items	5.52	4.36	-21.1	8.42	5.18	-38.5	3.62	3.78	4.6
Internal Cash Flow	36.60	33.80	-7.6	37.25	36.63	-1.6	36.17	31.83	-12.0
Ratios in percent									
Natural Gas as a percent of Total Production	48.4	48.8	N/A	54.2	53.9	N/A	44.7	45.2	N/A

(1) Excludes sulphur and NGL production from reprocessing plants.
(2) Includes revenues from sales of NGLs from reprocessing plants and resale of purchased products.
(3) Includes Large Corporations Tax.

B8(continued)

Financial Performance for Main Business Segments

Upstream Operations

First six months

	Integrateds/Refiners			Junior O&G Producers			Senior O&G Producers		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Production of Oil Equivalent(1) in thousands of cubic metres	29510	27905	-5.4	22020	22706	3.1	38504	37974	-1.4
Key Financial Items in millions of dollars			%			%			%
Sales before Royalties and Taxes	2862	2768	-3.3	1690	1850	9.4	3802	3839	1.0
Other Revenues	46	62	34.7	104	85	-18.2	149	94	-36.7
Gross Revenues	2907	2830	-2.7	1794	1934	7.8	3951	3933	-0.5
Internal Cash Flow	1095	994	-9.2	698	773	10.8	1502	1227	-18.3
Net Income	316	310	-1.8	21	37	77.1	176	56	-68.2
Net Income plus Interest	357	343	-3.9	255	253	-0.8	555	388	-30.2
Capital Employed	17219	16477	-4.3	15592	14982	-3.9	22794	23007	0.9
Unit Revenues and Costs in dollars per cubic metre			%			%			%
Sales before Royalties and Taxes(2)	96.97	99.21	2.3	76.77	81.47	6.1	98.73	101.08	2.4
Other Revenues	1.55	2.21	42.5	4.70	3.73	-20.6	3.88	2.49	-35.8
Gross Revenues	98.52	101.42	2.9	81.47	85.20	4.6	102.61	103.57	0.9
Royalties & Other Payments	14.75	14.91	1.1	14.12	14.97	6.0	16.66	16.59	-0.4
Revenues after Royalties & Taxes	83.78	86.51	3.3	67.35	70.22	4.3	85.95	86.98	1.2
Interest Expenses	1.39	1.17	-15.7	10.63	9.52	-10.4	9.85	8.74	-11.3
Operating Costs (excluding Research)	39.01	43.01	10.3	24.98	24.77	-0.9	34.57	37.53	8.6
Research & Other Expenses	0.47	0.22	-53.1	2.45	2.51	2.6	0.55	1.09	96.3
Cash Income before Taxes	42.91	42.11	-1.9	29.28	33.42	14.1	40.98	39.62	-3.3
E&D & Oil Sands R&D Expensed	5.52	6.54	18.4	2.30	2.31	0.1	7.52	8.55	13.7
Depreciation	6.81	5.93	-12.9	4.11	4.06	-1.1	7.81	7.43	-4.9
Depletion	5.98	6.90	15.4	22.24	23.01	3.5	12.08	12.81	6.0
Write-offs	5.40	3.05	-43.5	1.44	1.29	-10.1	5.13	4.97	-3.2
Net Income before Taxes	19.20	19.69	2.6	-0.81	2.74	-	8.43	5.86	-30.5
Federal Income Tax(3)	4.27	4.55	6.5	0.68	1.09	60.0	1.51	5.33	252.1
Provincial Income Taxes	1.51	1.92	27.2	-3.08	-1.71	-	0.45	1.97	339.7
Deferred Income Taxes	2.71	2.10	-22.4	0.65	1.75	169.3	1.90	-2.91	-
Net Income after Taxes	10.70	11.11	3.8	0.94	1.61	71.8	4.57	1.47	-67.8
Extraordinary Items	0.00	0.00	-	0.29	0.30	4.9	-0.57	-0.62	-
Net Income after Extraordinary Items	10.70	11.11	3.8	1.23	1.91	56.0	4.00	0.85	-78.7
Internal Cash Flow	37.12	35.63	-4.0	31.68	34.03	7.4	39.02	32.32	-17.2
Ratios in percent									
Natural Gas as a percent of Total Production	36.2	36.6	N/A	64.0	63.4	N/A	48.9	49.0	N/A

(1) Excludes sulphur and NGL production from reprocessing plants.
(2) Includes revenues from sales of NGLs from reprocessing plants and resale of purchased products.
(3) Includes Large Corporations Tax.

B9

Financial Performance for Main Business Segments

Downstream Operations

First six months

	Total Downstream			Total Oil Products			Petrochemicals and Other		
	1989	1990	Change	1989	1990	Change	1989	1990	Change
Key Financial Items in millions of dollars			%			%			%
Revenues before Sales, Excise & other Taxes	13337	14761	10.7	11575	12837	10.9	1762	1924	9.2
Other Revenues	333	488	46.5	331	461	39.4	2	27	–
Total Revenues	13670	15249	11.5	11906	13299	11.7	1764	1951	10.5
Sales, Excise & other Taxes	2137	2508	17.3	2137	2507	17.3	0	1	78.8
Cost of Goods Sold	7894	9428	19.4	6908	8119	17.5	987	1309	32.7
Operating Costs	1970	2109	7.0	1745	1822	4.4	226	287	27.2
R&D Costs (excluding Oil Sands)	25	25	0.8	16	18	11.0	9	7	-17.7
Other Expenses	1	8	–	0	7	–	2	2	4.3
Cash Income before Interest and Taxes	1642	1171	-28.7	1101	826	-24.9	541	344	-36.4
Interest Expenses	101	155	53.6	90	139	54.8	11	16	43.8
Cash Income before Taxes	1541	1016	-34.1	1011	687	-32.0	530	328	-38.0
Current Income Taxes	353	214	-39.2	227	155	-31.7	125	59	-52.9
Internal Cash Flow	1188	801	-32.5	784	532	-32.1	405	269	-33.4
Depreciation & other Non-cash Charges	412	485	17.8	312	361	15.9	100	124	23.8
Income after Current Income Taxes	776	316	-59.2	472	171	-63.8	305	146	-52.2
Deferred Income Taxes	95	-5	–	71	3	-95.8	23	-8	–
Net Income after Taxes	682	321	-52.9	400	168	-58.1	281	153	-45.6
Extraordinary Items	1	0	-62.3	1	0	-62.3	0	0	–
Net Income after Extraordinary Items	683	321	-52.9	402	168	-58.1	281	153	-45.6

	Total Oil Products[1]			National Refiners-Marketers			Regional Refiners-Marketers		
	1989	1990	Change	1989	1990	Change	1989	1990	Change
Unit Revenues and Costs in dollars per cubic metre			%			%			%
Revenues before Sales, Excise & other Taxes	272.92	303.61	11.2	282.55	312.84	10.7	252.10	285.47	13.2
Other Revenues	7.80	10.91	39.8	8.34	12.07	44.7	6.64	8.63	30.1
Total Revenues	280.72	314.52	12.0	290.89	324.90	11.7	258.73	294.10	13.7
Sales, Excise & other Taxes	50.38	59.29	17.7	53.67	64.65	20.4	43.27	48.76	12.7
Cost of Goods Sold	162.87	192.01	17.9	166.14	194.98	17.4	155.80	186.17	19.5
Operating Costs	41.14	43.08	4.7	46.86	49.52	5.7	28.76	30.43	5.8
R&D Costs (excluding Oil Sands)	0.38	0.43	11.3	0.45	0.64	40.4	0.23	0.02	-93.1
Other Expenses	-0.01	0.16	–	-0.07	-0.10	–	0.13	0.65	392.0
Cash Income before Interest and Taxes	25.95	19.55	-24.7	23.84	15.21	-36.2	30.53	28.07	-8.1
Interest Expenses	2.12	3.29	55.3	0.01	0.01	26.9	6.69	9.74	45.7
Cash Income before Taxes	23.84	16.26	-31.8	23.83	15.20	-36.2	23.84	18.33	-23.1
Current Income Taxes	5.36	3.67	-31.5	6.51	3.46	-46.8	2.89	4.10	42.0
Internal Cash Flow	18.47	12.58	-31.9	17.33	11.75	-32.2	20.96	14.23	-32.1
Depreciation & other Non-cash Charges	7.35	8.54	16.2	6.89	8.59	24.7	8.36	8.46	1.2
Income after Current Income Taxes	11.12	4.04	-63.7	10.44	3.16	-69.7	12.59	5.77	-54.2
Deferred Income Taxes	1.68	0.07	-95.8	0.64	-0.12	–	3.94	0.45	-88.6
Net Income after Taxes	9.44	3.97	-58.0	9.80	3.28	-66.5	8.65	5.32	-38.5
Extraordinary Items	0.03	0.01	-62.2	0.00	0.00	–	0.08	0.03	-64.6
Net Income after Extraordinary Items	9.47	3.98	-58.0	9.80	3.28	-66.5	8.74	5.35	-38.8

Ratios in percent			Change			Change			Change
'Clean Products' Sales as a percent of Total Sales Volume	81.42	82.30	1.1	81.98	82.79	1.0	80.20	81.34	1.4
Net Sales in Canada as a percent of Total Sales Volume	91.89	90.96	-1.0	92.50	93.93	1.5	90.56	85.13	-6.0
Export Sales as a percent of Total Sales Volume	5.81	6.49	11.7	4.90	6.07	24.0	7.78	7.30	-6.2

(1) The calculation of unit revenues and costs is based on total sales volume data for the aggregates mentioned.

B10

Sources and Uses of Funds in millions of dollars
First six months

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	1989	1990	Change	1989	1990	Change	1989	1990	Change
Internal Cash Flow	4665	4170	-10.6	1936	1737	-10.3	2729	2433	-10.9
Net Increase in Long-term Debt	4605	1543	-66.5	1747	1252	-28.3	2858	291	-89.8
Issue of Shares	2015	664	-67.1	566	557	-1.6	1448	106	-92.7
Incentives, Grants and Tax Credits	125	36	-71.1	77	17	-77.4	48	19	-60.9
All Other Sources	1426	1471	3.2	563	441	-21.6	863	1030	19.4
Working Capital Decrease	1807	1069	-40.8	315	325	3.1	1492	745	-50.1
Total Sources of Funds	14642	8954	-38.9	5204	4329	-16.8	9439	4624	-51.0
Total Capital Expenditures in Canada	3341	3361	0.6	1467	1601	9.1	1874	1760	-6.1
Capital Expenditure in U.S.A.	51	106	107.1	42	73	71.9	9	34	268.7
Other Foreign Capital Expenditures	196	206	4.8	123	98	-20.7	73	108	47.7
Total Foreign Capital Expenditures	248	312	26.0	165	170	2.9	82	142	72.3
Total Company Capital Expenditures	3589	3673	2.4	1633	1771	8.5	1956	1902	-2.8
Dividends:									
Common Shares	624	586	-6.1	186	184	-0.8	438	402	-8.4
Preferred Shares	173	188	8.2	148	174	17.4	25	14	-46.2
Total	798	774	-3.0	334	358	7.3	464	415	-10.4
Reduction of Equity	563	257	-54.3	526	116	-78.0	37	142	279.1
Total Dividend & Equity Reduction	1361	1031	-24.2	860	474	-44.9	501	557	11.2
Net Decrease in Long-term Debt	856	1149	34.2	241	175	-27.2	615	974	58.2
All Other Applications	7136	2153	-69.8	1285	1588	23.6	5852	565	-90.3
Working Capital Increase	1700	948	-44.3	1186	321	-72.9	514	627	21.8
Total Applications of Funds	14642	8954	-38.9	5204	4329	-16.8	9439	4624	-51.0

	Integrateds/Refiners			Junior O&G Producers			Senior O&G Producers		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Internal Cash Flow	2013	1770	-12.1	874	947	8.4	1778	1453	-18.3
Net Increase in Long-term Debt	2974	388	-86.9	539	325	-39.7	1092	830	-24.1
Issue of Shares	1295	116	-91.1	568	428	-24.6	151	120	-20.8
Incentives, Grants and Tax Credits	18	16	-10.8	72	9	-87.4	35	11	-69.4
All Other Sources	403	919	127.9	397	225	-43.3	625	327	-47.6
Working Capital Decrease	1468	273	-81.4	264	367	39.3	75	429	-
Total Sources of Funds	8172	3483	-57.4	2713	2302	-15.2	3757	3169	-15.6
Total Capital Expenditures in Canada	1262	1144	-9.3	936	1049	12.1	1143	1167	2.1
Capital Expenditure in U.S.A.	0	1	53.0	4	27	-	47	79	67.2
Other Foreign Capital Expenditures	25	17	-31.4	78	132	68.6	94	57	-38.9
Total Foreign Capital Expenditures	25	17	-30.1	82	159	93.6	141	136	-3.4
Total Company Capital Expenditures	1287	1162	-9.7	1019	1208	18.6	1284	1303	1.5
Dividends:									
Common Shares	453	291	-35.7	30	34	12.6	141	261	84.9
Preferred Shares	67	96	43.7	48	29	-39.5	59	63	6.8
Total	519	387	-25.5	78	63	-19.3	200	324	61.9
Reduction of Equity	314	217	-31.0	40	39	-1.0	210	1	-99.3
Total Dividend & Equity Reduction	833	603	-27.6	118	102	-13.1	410	326	-20.6
Net Decrease in Long-term Debt	156	520	234.1	255	225	-11.7	446	404	-9.4
All Other Applications	5394	645	-88.1	927	539	-41.9	816	969	18.8
Working Capital Increase	503	553	9.9	395	227	-42.5	802	168	-79.1
Total Applications of Funds	8172	3483	-57.4	2713	2302	-15.2	3757	3169	-15.6

B11

Upstream Canadian Capital Expenditures by Location in millions of dollars
First six months

	Total Canadian			Provinces			Canada Lands		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Total Industry									
Land & Lease, Geological & Geophysical	733	756	3.1	663	731	10.3	70	25	-65.1
Exploration Drilling	610	630	3.2	497	526	5.8	113	104	-8.3
Total Exploration	1343	1386	3.1	1160	1257	8.4	183	128	-30.1
Development Drilling	392	450	14.7	392	447	14.0	0	3	-
Production	804	803	-0.1	785	784	-0.2	19	19	1.5
Non-conventional Heavy Oil & Oil Sands	160	108	-32.6	160	108	-32.6	0	0	-
Total Upstream	2701	2747	1.7	2498	2596	3.9	202	151	-25.6
Canadian-Controlled Companies									
Land & Lease, Geological & Geophysical	340	364	7.1	336	361	7.5	4	3	-30.0
Exploration Drilling	304	363	19.3	263	326	23.9	41	37	-9.6
Total Exploration	644	727	12.9	599	687	14.7	45	40	-11.4
Development Drilling	209	238	13.9	209	234	12.0	0	4	-
Production	308	362	17.5	296	345	16.7	12	17	36.8
Non-conventional Heavy Oil & Oil Sands	61	44	-27.1	61	44	-27.1	0	0	-
Total Upstream	1222	1371	12.2	1164	1310	12.5	58	61	5.8
Foreign-Controlled Companies									
Land & Lease, Geological & Geophysical	393	392	-0.4	327	370	13.2	66	22	-67.2
Exploration Drilling	306	267	-12.9	234	200	-14.5	72	66	-7.5
Total Exploration	700	659	-5.8	562	571	1.6	138	88	-36.2
Development Drilling	183	212	15.7	183	213	16.2	0	-1	-
Production	496	441	-11.1	490	439	-10.3	6	2	-66.3
Non-conventional Heavy Oil & Oil Sands	100	64	-36.1	100	64	-36.1	0	0	-
Total Upstream	1479	1376	-7.0	1334	1287	-3.6	145	89	-38.2

B12

Capital Expenditures by Activity in millions of dollars
First six months

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Exploration	1343	1386	3.1	644	727	12.9	700	659	-5.8
Development	392	450	14.7	209	238	13.9	183	212	15.7
Production	804	803	-0.1	308	362	17.5	496	441	-11.1
Oil Sands	160	108	-32.6	61	44	-27.1	100	64	-36.1
Total Upstream	2701	2747	1.7	1222	1371	12.2	1479	1376	-7.0
Total Downstream	428	408	-4.6	159	181	13.4	268	227	-15.3
Uranium	0	0	-	0	0	-	0	0	-
Coal	5	5	-8.3	1	1	-30.4	4	4	-4.4
All Others	207	201	-2.9	86	49	-42.8	122	153	25.2
Total Capital Expenditures in Canada	3341	3361	0.6	1467	1601	9.1	1874	1760	-6.1
Total Capital Expenditures Abroad	248	312	26.0	165	170	2.9	82	142	72.3
Total Company Capital Expenditures	3589	3673	2.4	1633	1771	8.5	1956	1902	-2.8
	Integrateds & Refiners			Junior O&G Producers			Senior O&G Producers		
Exploration	345	301	-12.8	495	562	13.6	504	523	3.8
Development	70	67	-3.6	177	221	25.2	146	162	10.8
Production	266	213	-20.1	211	236	12.0	327	354	8.3
Oil Sands	109	59	-45.9	5	5	1.0	46	44	-4.9
Total Upstream	790	640	-19.0	887	1025	15.4	1023	1082	5.8
Total Downstream	404	396	-1.9	4	1	-78.5	20	11	-43.5
Uranium	0	0	-	0	0	-	0	0	-
Coal	2	4	84.1	0	0	-	3	1	-81.9
All Others	65	104	59.3	45	24	-46.5	97	73	-24.6
Total Capital Expenditures in Canada	1262	1144	-9.3	936	1049	12.1	1143	1167	2.1
Total Capital Expenditures Abroad	25	17	-30.1	82	159	93.6	141	136	-3.4
Total Company Capital Expenditures	1287	1162	-9.7	1019	1208	18.6	1284	1303	1.5

B13

Balance Sheet in millions of dollars

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	Dec. 31 1989	June 30 1990	Change %	Dec. 31 1989	June 30 1990	Change %	Dec. 31 1989	June 30 1990	Change %
Cash, Investments & Marketable Securities	2161	1816	-16.0	1085	1049	-3.3	1077	766	-28.8
Accounts Receivable:									
Affiliates	478	543	13.7	170	128	-24.6	308	415	34.9
All Other	6213	5569	-10.4	2589	2248	-13.2	3624	3321	-8.4
Total	6691	6112	-8.6	2760	2377	-13.9	3931	3736	-5.0
Inventories	4221	4053	-4.0	1588	1450	-8.7	2633	2602	-1.2
Other Current Assets	907	1063	17.1	360	470	30.4	547	593	8.4
Total Current Assets	13954	13056	-6.4	5766	5362	-7.0	8188	7693	-6.0
Property Plant & Equipment	101009	113592	12.5	45049	46366	2.9	55960	67226	20.1
Less:									
Accumulated Depletion Depreciation and Amortization	32164	34146	6.2	15367	16062	4.5	16796	18084	7.7
Net Fixed Assets	69045	69467	0.6	29893	30504	2.0	39152	38963	-0.5
Other Long-term Assets	5576	5833	4.6	2331	2778	19.2	3245	3055	-5.8
Total Assets	88576	88356	-0.2	37991	38644	1.7	50585	49712	-1.7
Accounts Payable:									
Affiliates	484	568	17.4	61	114	87.0	423	454	7.3
All Other	6746	5878	-12.9	2817	2378	-15.6	3929	3500	-10.9
Total	7230	6445	-10.9	2878	2491	-13.4	4352	3954	-9.2
Current Portion of Long-term Debt	462	470	1.7	189	183	-3.6	272	287	5.4
Other Current Liabilities	3260	3013	-7.6	1998	1759	-12.0	1261	1255	-0.5
Total Current Liabilities	10952	9928	-9.3	5066	4433	-12.5	5886	5495	-6.6
Long-term Debt	21391	21775	1.8	8335	9343	12.1	13056	12432	-4.8
Prepayment for Deferred Production	1085	880	-18.8	456	367	-19.5	629	513	-18.4
Accumulated Deferred Income Taxes	11454	11386	-0.6	4682	4576	-2.3	6773	6811	0.6
Other Long-term Liabilities	4069	4623	13.6	872	1443	65.5	3196	3180	-0.5
Shareholder's Equity:									
Common Shares	16039	16522	3.0	9939	10227	2.9	6100	6294	3.2
Preferred Shares	4669	4496	-3.7	3174	3109	-2.0	1495	1386	-7.3
Retained Earnings	15071	15046	-0.2	3518	3276	-6.9	11552	11769	1.9
Other Equity	3846	3700	-3.8	1950	1870	-4.1	1897	1831	-3.5
Total Shareholder's Equity	39625	39763	0.3	18581	18483	-0.5	21044	21280	1.1
Total Liability, Deferred Taxes & Equity	88576	88356	-0.2	37991	38644	1.7	50585	49712	-1.7
Working Capital	3003	3128	4.2	701	930	32.6	2302	2198	-4.5

	Integrateds & Refiners			Junior O&G Producers			Senior O&G Producers		
Cash, Investments & Marketable Securities	463	490	5.8	930	802	-13.8	769	524	-31.8
Accounts Receivable:									
Affiliates	90	61	-32.2	173	163	-5.6	215	319	48.3
All Other	3740	3628	-3.0	832	692	-16.8	1641	1249	-23.9
Total	3830	3689	-3.7	1005	855	-14.9	1856	1568	-15.5
Inventories	3636	3439	-5.4	98	111	13.4	487	503	3.2
Other Current Assets	585	869	48.4	67	57	-14.5	255	137	-46.3
Total Current Assets	8514	8486	-0.3	2074	1838	-11.4	3367	2732	-18.9
Property Plant & Equipment	42722	43533	1.9	22564	23636	4.8	35723	46423	30.0
Less:									
Accumulated Depletion Depreciation and Amortization	13597	14477	6.5	7817	8236	5.4	10750	11433	6.4
Net Fixed Assets	29125	29056	-0.2	14947	15601	4.4	24973	24810	-0.7
Other Long-term Assets	2799	2436	-12.9	882	931	5.5	1895	2466	30.1
Total Assets	40437	39978	-1.1	17903	18370	2.6	30235	30008	-0.8
Accounts Payable:									
Affiliates	330	355	7.4	52	89	72.6	102	124	21.5
All Other	4138	3627	-12.4	882	865	-1.9	1726	1385	-19.7
Total	4468	3982	-10.9	934	955	2.2	1828	1509	-17.4
Current Portion of Long-term Debt	106	85	-19.2	177	159	-10.4	179	225	26.0
Other Current Liabilities	1791	1760	-1.7	317	204	-35.7	1151	1049	-8.9
Total Current Liabilities	6365	5827	-8.5	1428	1317	-7.8	3158	2784	-11.9
Long-term Debt	8574	8391	-2.1	4241	4391	3.5	8576	8993	4.9
Prepayment for Deferred Production	245	193	-21.2	319	276	-13.4	521	411	-21.0
Accumulated Deferred Income Taxes	5866	5725	-2.4	1512	1616	6.9	4076	4045	-0.8
Other Long-term Liabilities	1160	1835	58.2	1233	1101	-10.6	1676	1686	0.6
Shareholder's Equity:									
Common Shares	7248	7024	-3.1	5091	5770	13.3	3700	3728	0.8
Preferred Shares	1209	1077	-11.0	1975	1827	-7.5	1485	1592	7.2
Retained Earnings	9304	9381	0.8	516	699	35.4	5250	4966	-5.4
Other Equity	465	525	12.8	1588	1372	-13.6	1793	1803	0.5
Total Shareholder's Equity	18227	18006	-1.2	9170	9669	5.4	12228	12088	-1.1
Total Liability, Deferred Taxes & Equity	40437	39978	-1.1	17903	18370	2.6	30235	30008	-0.8
Working Capital	2148	2659	23.8	646	521	-19.4	209	-52	-

B14

Capital Employed by Sector and Segment[1] in millions of dollars
First six months

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Upstream	55606	54466	-2.1	23706	24050	1.4	31900	30416	-4.7
Refining and Marketing	12865	12667	-1.5	4995	5068	1.5	7870	7600	-3.4
Other Downstream	3112	3454	11.0	1431	1537	7.4	1681	1917	14.1
Other Canadian Operations	4882	4200	-14.0	1960	1376	-29.8	2922	2824	-3.3
Total Canadian Operations	76466	74788	-2.2	32093	32031	-0.2	44373	42757	-3.6
Foreign Operations	3289	3640	10.7	1926	2181	13.2	1363	1459	7.0
Grand Total	79755	78428	-1.7	34019	34212	0.6	45736	44216	-3.3

	Integrateds/Refiners			Junior O&G Producers			Senior O&G Producers		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Upstream	17219	16477	-4.3	15592	14982	-3.9	22794	23007	0.9
Refining and Marketing	12865	12667	-1.5	0	0	-	0	0	-
Other Downstream	2364	2678	13.3	109	70	-35.7	640	707	10.5
Other Canadian Operations	2138	2151	0.6	848	592	-30.2	1896	1458	-23.1
Total Canadian Operations	34586	33972	-1.8	16549	15644	-5.5	25330	25172	-0.6
Foreign Operations	248	179	-27.9	1153	1409	22.2	1889	2052	8.7
Grand Total	34834	34151	-2.0	17702	17053	-3.7	27219	27224	-

(1) Capital employed is defined as total assets less current liabilities.

B15

Volume and Value of Production
First six months
by Province

Volume in thousands of cubic metres	Alberta 1989	Alberta 1990	Alberta Change %	British Columbia 1989	British Columbia 1990	British Columbia Change %	Saskatchewan 1989	Saskatchewan 1990	Saskatchewan Change %
Conventional Crude Oil	26078.1	25118.5	-3.7	860.3	1014.9	18.0	4502.5	4876.1	8.3
Oil Sands	9262.6	8577.1	-7.4	0.0	0.0	-	0.0	0.0	-
Marketable Natural Gas (10^6m^3)	37748.0	37010.1	-2.0	4903.4	5143.4	4.9	2279.7	2371.1	4.0
Gas Plant Liquids - Fields	5490.1	5447.5	-0.8	120.5	164.3	36.4	12.0	54.5	354.2
Gas Plant Liquids - Reprocessing	2136.0	2169.7	1.6	74.0	77.0	4.1	0.0	67.6	-
Total - Oil equivalent (1)	76645.9	74422.7	-2.9	14961.3	14703.0	-1.7	15978.4	15784.7	-1.2
Value in millions of dollars			%			%			%
Conventional Crude Oil	3266.4	3149.5	-3.6	109.5	129.6	18.3	461.2	484.9	5.1
Oil Sands	1035.0	952.5	-8.0	0.0	0.0	-	0.0	0.0	-
Marketable Natural Gas	2079.6	2121.2	2.0	242.4	253.6	4.6	109.4	128.7	17.7
Gas Plant Liquids - Fields	413.1	470.2	13.8	7.4	13.1	76.9	0.6	3.4	-
Gas Plant Liquids - Reprocessing	153.3	160.8	4.9	4.8	5.5	16.4	0.0	3.9	-
Total - (including sulphur)	6979.6	6848.5	-1.9	359.6	397.6	10.6	571.2	617.3	8.1

by Company Group

Volume in thousands of cubic metres	Total Industry 1989	Total Industry 1990	Total Industry Change %	Canadian-Controlled 1989	Canadian-Controlled 1990	Canadian-Controlled Change %	Foreign-Controlled 1989	Foreign-Controlled 1990	Foreign-Controlled Change %
Conventional Crude Oil	32708.4	32289.6	-1.3	11876.6	12554.1	5.7	20831.8	19735.5	-5.3
Oil Sands	9262.6	8577.1	-7.4	2859.0	2716.0	-5.0	6403.6	5861.1	-8.5
Marketable Natural Gas (10^6m^3)	45107.1	44672.1	-1.0	19965.2	20287.2	1.6	25141.9	24384.9	-3.0
Gas Plant Liquids - Fields	5616.9	5670.4	1.0	2093.2	1988.5	-5.0	3523.7	3681.8	4.5
Gas Plant Liquids - Reprocessing	2210.0	2314.3	4.7	1209.0	1175.1	-2.8	1001.0	1139.2	13.8
Total - Oil equivalent (1)	90492.4	89181.7	-1.4	35721.5	36508.9	2.2	54770.9	52672.8	-3.8
Value in millions of dollars			%			%			%
Conventional Crude Oil	3958.7	3898.6	-1.5	1406.0	1511.5	7.5	2552.7	2387.1	-6.5
Oil Sands	1035.0	952.5	-8.0	378.4	354.6	-6.3	656.6	598.0	-8.9
Marketable Natural Gas	2445.2	2511.8	2.7	1067.9	1134.3	6.2	1377.2	1377.6	-
Gas Plant Liquids - Fields	421.5	487.2	15.6	138.1	162.1	17.4	283.4	325.1	14.7
Gas Plant Liquids - Reprocessing	158.0	170.2	7.7	80.7	90.2	11.8	77.3	80.0	3.4
Total - (including sulphur)	8013.2	8006.6	-0.5	3025.4	3191.8	5.5	5020.8	4814.8	-4.1

Volume in thousands of cubic metres	Integrateds/Refiners 1989	Integrateds/Refiners 1990	Integrateds/Refiners Change %	Junior O&G Producers 1989	Junior O&G Producers 1990	Junior O&G Producers Change %	Senior O&G Producers 1989	Senior O&G Producers 1990	Senior O&G Producers Change %
Conventional Crude Oil	10632.4	10064.1	-5.3	7101.0	7561.2	6.5	14975.0	14664.3	-2.1
Oil Sands	6247.0	5711.5	-8.6	142.6	126.9	-11.0	2873.0	2738.7	-4.7
Marketable Natural Gas (10^6m^3)	11053.1	10547.9	-4.6	14567.0	14880.6	2.2	19487.0	19243.6	-1.2
Gas Plant Liquids - Fields	2437.4	2431.6	-0.2	916.0	816.5	-10.9	2263.5	2422.2	7.0
Gas Plant Liquids - Reprocessing	565.0	558.0	-1.2	95.0	125.4	32.0	1550.0	1630.9	5.2
Total - Oil equivalent (1)	29745.0	28192.1	-5.2	22044.3	22725.1	3.1	38703.1	38264.5	-1.1
Value in millions of dollars			%			%			%
Conventional Crude Oil	1238.7	1242.2	-3.6	815.8	899.8	10.3	1854.2	1756.6	-5.3
Oil Sands	665.8	582.3	-12.5	13.7	14.2	3.5	355.5	356.0	0.2
Marketable Natural Gas	605.3	602.4	-0.5	766.1	817.8	7.6	1079.7	1091.6	1.1
Gas Plant Liquids - Fields	186.1	201.1	8.1	55.4	64.3	16.1	180.0	221.7	23.2
Gas Plant Liquids - Reprocessing	35.9	37.0	2.8	5.5	8.1	48.8	116.6	125.1	7.3
Total - (including sulphur)	2840.9	2707.8	-4.9	1654.2	1801.2	8.9	3545.2	3497.6	-1.3

(1) Includes sulphur but excludes NGL production from reprocessing plants.

B16

Upstream Operating Costs and Royalties in millions of dollars
First six months
by Province

	Alberta			British Columbia			Saskatchewan		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Field, Well & Gathering Operations	1123.3	1132.5	0.8	65.1	74.7	14.7	148.5	161.5	8.8
Natural Gas Processing Plants	243.2	251.1	3.2	6.7	9.4	39.9	6.3	4.4	-30.1
Oil Sands	671.8	716.8	6.7	0.0	0.0	–	0.0	0.0	–
Taxes (excluding Income Taxes)	53.5	42.9	-19.9	0.9	1.1	14.5	5.4	5.1	-6.3
Operating Overhead	599.1	669.7	11.8	19.4	22.8	17.4	51.3	53.8	5.0
Total Operating Cost	2690.9	2813.0	4.5	92.2	108.0	17.1	211.5	224.8	6.3
Federal Crown Royalties	0.3	0.3	7.1	0.0	0.0	–	0.1	0.4	–
Provincial Royalties & Taxes	1012.4	1014.0	0.2	52.4	51.3	-2.0	87.0	86.5	-0.6
Non-Crown Royalties & Other	184.3	174.4	-5.4	10.3	11.3	10.5	27.2	26.8	-1.7
Total Royalties	1196.9	1188.6	-0.7	62.7	62.7	0.1	114.3	113.7	-0.6

by Company Group

	Total Industry			Canadian-Controlled			Foreign-Controlled		
	1989	1990	Change	1989	1990	Change	1989	1990	Change
Field, Well & Gathering Operations	1360.9	1400.4	2.9	519.6	580.8	11.8	841.3	819.6	-2.6
Natural Gas Processing Plants	266.1	275.9	3.7	133.7	130.6	-2.3	132.4	145.3	9.7
Oil Sands	671.8	716.8	6.7	283.1	303.1	7.1	388.7	413.8	6.5
Taxes (excluding Income Taxes)	61.4	50.0	-18.6	14.4	6.7	-53.8	46.9	43.3	-7.8
Operating Overhead	691.9	761.0	10.0	240.4	263.3	9.5	451.5	497.6	10.2
Total Operating Cost	3052.0	3204.1	5.0	1191.2	1284.5	7.8	1860.8	1919.6	3.2
Federal Crown Royalties	3.3	4.0	18.5	0.2	0.5	156.9	3.1	3.5	9.9
Provincial Royalties & Taxes	1154.9	1161.7	0.6	391.8	415.5	6.0	763.1	746.2	-2.2
Non-Crown Royalties & Other	226.7	220.4	-2.8	98.8	104.0	5.2	127.9	116.3	-9.0
Total Royalties	1385.0	1386.0	0.1	490.8	520.0	5.9	894.1	866.0	-3.1

	Integrateds/Refiners			Junior O&G Producers			Senior O&G Producers		
	1989	1990	Change %	1989	1990	Change %	1989	1990	Change %
Field, Well & Gathering Operations	401.9	412.0	2.5	372.3	382.2	2.7	586.8	606.2	3.3
Natural Gas Processing Plants	101.8	114.8	12.7	40.5	32.2	-20.5	123.8	129.0	4.2
Oil Sands	420.9	416.3	-1.1	4.2	3.4	-20.7	246.6	297.2	20.5
Taxes (excluding Income Taxes)	12.0	14.4	20.0	8.6	5.6	-34.8	40.8	30.0	-26.5
Operating Overhead	227.5	254.2	11.8	124.6	140.2	12.5	339.8	366.5	7.9
Total Operating Cost	1164.1	1211.7	4.1	550.2	563.5	2.4	1337.8	1428.9	6.8
Federal Crown Royalties	2.8	3.1	10.7	0.1	0.4	–	0.5	0.5	-1.1
Provincial Royalties & Taxes	346.8	347.2	0.1	233.7	255.0	9.1	574.5	559.5	-2.6
Non-Crown Royalties & Other	82.7	65.8	-20.5	77.3	84.7	9.5	66.6	70.0	5.0
Total Royalties	432.3	416.0	-3.8	311.1	340.0	9.3	641.6	630.0	-1.8

B17
Reconciliation of Book Income to Taxable Income by Control: 1989
All Canadian Activities in millions of dollars

	Total Industry	Canadian-Controlled	Foreign-Controlled	Integrateds & Refiners	Oil & Gas Producers
Book Income after Income Taxes	3208	836	2371	1762	1446
Income Tax Provision	1140	256	884	710	429
Book Income before Income Taxes	4347	1092	3255	2473	1875
Additions:					
Depreciation & Amortization	2777	1081	1696	1555	1222
Depletion	2033	1152	881	324	1709
Current E&D Expenses	1233	235	998	248	985
Non-Deductible Crown Royalties	2076	697	1378	641	1435
Loss on Disposal of Assets per Books	295	93	201	12	283
Taxable Capital Gain	155	74	81	41	113
Other Additions	1751	910	840	717	1034
Deductions:					
Capital Cost Allowance	2792	1142	1650	1591	1201
Indirect E&D Overhead Expensed	52	47	5	0	52
Resource Allowance	1757	686	1071	536	1221
Interest Expensed for Tax Purposes	162	55	107	94	68
Canadian Exploration Expense Claim	1358	530	828	387	971
Canadian Development Expense Claim	761	369	392	225	536
Canadian Oil & Gas Property Expense Claim	490	247	244	119	371
Earned Depletion Allowance	224	60	164	96	128
Foreign E&D Expense Claim	151	89	62	35	116
Canadian E&D Expense Claim	1	1	–	–	1
Frontier Exploration Allowance	36	–	36	–	36
Supplementary Depletion Allowance	3	–	3	–	3
Gain on Disposal of Assets per Books	470	147	323	136	334
Cumulative Offset Account Deduction	3	–	2	2	0
Other Deductions	2714	1114	1600	1049	1665
Total Net Difference between Book Income before Income Taxes and Current Year Net Income for Income Tax Purposes	-657	-244	-413	-734	77
Current Year Net Income for Income Tax Purposes	3690	848	2842	1738	1952
Deduct:					
Non-Capital Losses	373	4	369	184	189
Taxable Dividends	1904	551	1353	367	1536
Other Deductions	–	-12	12	11	-11
Taxable Income (Net of Losses)	1413	305	1108	1176	237
Add:					
Current Year Non-Capital Losses	837	217	619	258	579
Taxable Income (Tax Base)	2249	522	1727	1434	816
Tax Credits:					
Federal Tax Abatement	217	43	175	147	70
Manufacturing and Processing Profits Deductions	19	3	16	16	3
Scientific Research and Experimental Development Tax Credit	1	–	1	–	1
Investment Tax Credit	54	11	43	43	12
Exploration Tax Credit	9	7	2	7	2
Other Federal Tax Credits	11	4	7	2	9
Income Taxes Payable:					
Total Federal Tax	618	147	471	366	252
Provincial Taxes before Rebates and Credits	258	58	200	156	102
Net Provincial Taxes	58	-47	105	133	-75
Total Income Taxes	676	100	576	500	176
Non-Capital Losses					
Opening Balance	2298	1075	1223	889	1409
Current Year's Losses	837	217	619	258	579
Losses from Predecessors	6	1	6	–	6
Utilized during The Year(1)	374	21	353	186	188
Expired during The Year	2	1	1	2	–
Carried Back	931	479	452	578	353
Closing Balance	1833	792	1042	381	1452

(1) Includes non-capital losses used during the year to reduce Part IV taxes.

B18
Reconciliation of Book Income to Taxable Income by Control: 1989
Upstream Activities in millions of dollars

	Total Industry	Canadian-Controlled	Foreign-Controlled	Integrateds & Refiners	Oil & Gas Producers
Book Income after Income Taxes	2376	496	1880	1023	1353
Income Tax Provision	782	112	669	376	406
Book Income before Income Taxes	3158	608	2550	1399	1758
Additions:					
Depreciation & Amortization	1843	669	1175	750	1093
Depletion	2018	1140	878	324	1695
Current E&D Expenses	1200	216	984	233	967
Non-Deductible Crown Royalties	2062	687	1375	637	1424
Loss on Disposal of Assets per Books	282	90	193	1	281
Taxable Capital Gain	91	56	35	8	83
Other Additions	1134	513	621	238	896
Deductions:					
Capital Cost Allowance	1751	633	1118	674	1077
Indirect E&D Overhead Expensed	52	47	5	–	52
Resource Allowance	1730	669	1062	533	1197
Interest Expensed for Tax Purposes	138	44	94	72	66
Canadian Exploration Expense Claim	1339	526	812	387	951
Canadian Development Expense Claim	784	369	415	224	559
Canadian Oil & Gas Property Expense Claim	490	247	244	119	371
Earned Depletion Allowance	215	57	158	96	119
Foreign E&D Expense Claim	151	89	62	35	116
Canadian E&D Expense Claim	1	1	–	–	1
Frontier Exploration Allowance	36	–	36	–	36
Supplementary Depletion Allowance	3	–	3	–	3
Gain on Disposal of Assets per Books	342	92	250	54	288
Cumulative Offset Account Deduction	3	–	2	2	–
Other Deductions	2096	720	1376	604	1492
Total Net Difference between Book Income before Income Taxes And Current Year Net Income for Income Tax Purposes	-501	-124	-377	-611	110
Current Year Net Income for Income Tax Purposes	2657	484	2173	788	1869
Deduct:					
Non-Capital Losses	351	39	312	127	224
Taxable Dividends	1504	316	1188	66	1438
Other Deductions	-2	-7	6	3	-5
Taxable Income (Net of Losses)	803	136	667	592	211
Add:					
Current Year Non-Capital Losses	573	86	487	56	517
Taxable Income (Tax Base)	1377	222	1154	648	728
Tax Credits:					
Federal Tax Abatement	132	20	112	67	65
Manufacturing and Processing Profits Deductions	7	1	6	3	3
Scientific Research and Experimental Development Tax Credit	1	–	1	–	1
Investment Tax Credit	46	7	39	34	11
Exploration Tax Credit	9	7	2	7	2
Other Federal Tax Credits	9	4	6	1	9
Income Taxes Payable:					
Total Federal Tax	368	64	305	164	204
Provincial Taxes before Rebates and Credits	127	16	112	55	72
Net Provincial Taxes	-71	-92	20	33	-104
Total Income Taxes	297	-28	325	197	100
Non-Capital Losses					
Opening Balance	1324	483	841	234	1090
Current Year's Losses	573	86	487	56	517
Losses from Predecessors	6	–	6	–	6
Utilized during The Year(1)	351	55	296	129	222
Expired during The Year	1	–	1	1	–
Carried Back	360	2	359	8	352
Closing Balance	1180	513	667	151	1028

(1) Includes non-capital losses used during the year to reduce Part IV taxes.

B19
Reconciliation of Book Income to Taxable Income by Control: 1988
All Canadian Activities in millions of dollars

	Total Industry	Canadian-Controlled	Foreign-Controlled	Integrateds & Refiners	Oil & Gas Producers
Book Income after Income Taxes	3618	1333	2285	2882	736
Income Tax Provision	1138	411	727	1015	123
Book Income before Income Taxes	4756	1744	3012	3897	858
Additions:					
Depreciation & Amortization	2619	1038	1582	1452	1167
Depletion	1789	1117	671	426	1363
Current E&D Expenses	610	29	580	238	372
Non-Deductible Crown Royalties	1819	647	1172	727	1092
Loss on Disposal of Assets per Books	424	42	382	85	340
Taxable Capital Gain	192	69	123	86	106
Other Additions	3279	1628	1651	870	2409
Deductions:					
Capital Cost Allowance	2394	1076	1318	1621	773
Indirect E&D Overhead Expensed	45	43	2	-	45
Resource Allowance	1561	618	943	535	1026
Interest Expensed for Tax Purposes	179	78	101	76	103
Canadian Exploration Expense Claim	1424	621	803	502	922
Canadian Development Expense Claim	892	460	431	260	632
Canadian Oil & Gas Property Expense Claim	535	237	299	156	380
Earned Depletion Allowance	262	84	179	66	196
Foreign E&D Expense Claim	91	53	38	11	80
Canadian E&D Expense Claim	1	-	1	-	1
Frontier Exploration Allowance	34	1	33	-	34
Supplementary Depletion Allowance	-	-	-	-	-
Gain on Disposal of Assets per Books	504	48	456	91	413
Cumulative Offset Account Deduction	3	3	-	-	3
Other Deductions	3718	1941	1777	2019	1700
Total Net Difference between Book Income before Income Taxes and Current Year Net Income for Income Tax Purposes	-910	-691	-219	-1452	542
Current Year Net Income for Income Tax Purposes	3846	1053	2793	2445	1400
Deduct:					
Non-Capital Losses	726	306	421	338	390
Taxable Dividends	1784	857	927	875	909
Other Deductions	77	29	48	39	38
Taxable Income (Net of Losses)	1257	-140	1396	1193	64
Add:					
Current Year Non-Capital Losses	1453	694	759	876	577
Taxable Income (Tax Base)	2710	555	2155	2069	641
Tax Credits:					
Federal Tax Abatement	271	50	221	213	57
Manufacturing and Processing Profits Deductions	60	8	53	56	4
Scientific Research and Experimental Development Tax Credit	-	-	-	-	-
Investment Tax Credit	72	16	57	54	18
Exploration Tax Credit	22	16	6	9	13
Other Federal Tax Credits	1	-	1	-	1
Income Taxes Payable:					
Total Federal Tax	726	134	592	555	171
Provincial Taxes before Rebates and Credits	341	71	270	257	85
Net Provincial Taxes	95	-50	145	222	-127
Total Income Taxes	821	84	737	777	44
Non-Capital Losses					
Opening Balance	1838	754	1084	542	1296
Current Year's Losses	1453	694	759	876	577
Losses from Predecessors	172	4	168	15	158
Utilized during The Year(1)	736	314	421	338	398
Expired during The Year	8	7	1	4	4
Carried Back	433	72	361	207	225
Closing Balance	2287	1058	1228	883	1403

(1) Includes non-capital losses used during the year to reduce Part IV taxes.

B20
Reconciliation of Book Income to Taxable Income by Control: 1988
Upstream Activities in millions of dollars

	Total Industry	Canadian-Controlled	Foreign-Controlled	Integrateds & Refiners	Oil & Gas Producers
Book Income after Income Taxes	1265	309	956	894	371
Income Tax Provision	296	62	234	191	104
Book Income before Income Taxes	1561	371	1190	1085	476
Additions:					
Depreciation & Amortization	1639	631	1008	660	979
Depletion	1776	1107	669	426	1351
Current E&D Expenses	594	29	565	233	361
Non-Deductible Crown Royalties	1807	640	1167	723	1085
Loss on Disposal of Assets per Books	156	20	137	94	63
Taxable Capital Gain	87	12	75	37	50
Other Additions	2249	1012	1238	274	1975
Deductions:					
Capital Cost Allowance	1273	531	742	753	520
Indirect E&D Overhead Expensed	45	43	2	–	45
Resource Allowance	1532	599	933	530	1001
Interest Expensed for Tax Purposes	137	66	71	56	81
Canadian Exploration Expense Claim	1400	619	781	489	912
Canadian Development Expense Claim	876	460	416	259	617
Canadian Oil & Gas Property Expense Claim	535	237	299	156	380
Earned Depletion Allowance	246	78	168	63	184
Foreign E&D Expense Claim	88	51	38	11	77
Canadian E&D Expense Claim	1	–	1	–	1
Frontier Exploration Allowance	34	1	33	–	34
Supplementary Depletion Allowance	–	–	–	–	–
Gain on Disposal of Assets per Books	431	27	404	40	390
Cumulative Offset Account Deduction	3	3	–	–	3
Other Deductions	2131	647	1484	824	1307
Total Net Difference between Book Income before Income Taxes and Current Year Net Income for Income Tax Purposes	-423	90	-513	-736	313
Current Year Net Income for Income Tax Purposes	1138	461	677	350	788
Deduct:					
Non-Capital Losses	390	111	279	34	357
Taxable Dividends	498	368	130	88	410
Other Deductions	36	6	29	8	27
Taxable Income (Net of Losses)	214	-25	239	220	-6
Add:					
Current Year Non-Capital Losses	908	168	739	414	494
Taxable Income (Tax Base)	1122	143	978	634	487
Tax Credits:					
Federal Tax Abatement	107	15	93	59	48
Manufacturing and Processing Profits Deductions	12	1	11	9	4
Scientific Research and Experimental Development Tax Credit	–	–	–	–	–
Investment Tax Credit	39	10	30	23	16
Exploration Tax Credit	22	16	6	9	13
Other Federal Tax Credits	1	–	–	–	1
Income Taxes Payable:					
Total Federal Tax	268	29	239	143	125
Provincial Taxes before Rebates and Credits	143	20	123	79	65
Net Provincial Taxes	-98	-96	-2	45	-143
Total Income Taxes	170	-67	237	188	-18
Non-Capital Losses					
Opening Balance	1096	477	618	93	1003
Current Year's Losses	908	168	739	414	494
Losses from Predecessors	171	2	170	14	158
Utilized during The Year(1)	390	111	279	34	357
Expired during The Year	3	3	–	–	3
Carried Back	465	69	397	252	213
Closing Balance	1317	464	852	235	1082

(1) Includes non-capital losses used during the year to reduce Part IV taxes.

B21
Current Year Claims and Tax Pools Remaining: 1989 in millions of dollars

	Canadian Controlled		Foreign Controlled		Total Industry	
	Upstream	Total	Upstream	Total	Upstream	Total
CCA – Class 10						
Opening Balance	1357	2141	1811	1925	3168	4065
Net Additions	–70	45	206	266	136	311
Government Assistance	–	1	–	–	–	1
Adjustments	–37	–41	115	107	77	66
Claimed In Current Period	267	314	512	553	780	868
Closing Balance	982	1831	1619	1744	2602	3575
CCA – Class 28/41						
Opening Balance	965	1118	684	839	1649	1956
Net Additions	580	595	569	580	1149	1174
Government Assistance	2	2	4	4	6	6
Adjustments	3	2	22	24	25	26
Claimed In Current Period	292	293	243	257	535	549
Closing Balance	1255	1420	1028	1182	2283	2602
CCA – Class 29/39						
Opening Balance	294	876	328	709	622	1585
Net Additions	43	265	218	430	262	695
Government Assistance	–	–	1	1	1	2
Adjustments	3	1	–35	–49	–31	–48
Claimed In Current Period	27	246	207	410	234	656
Closing Balance	315	896	303	678	618	1574
CCA – All Other Classes						
Opening Balance	406	1871	621	2582	1027	4453
Net Additions	63	276	154	552	217	828
Government Assistance	–	–	–	–	–	–
Adjustments	1	3	70	42	71	45
Claimed In Current Period	47	289	156	430	203	719
Closing Balance	422	1861	689	2746	1111	4607
Investment Tax Credit						
Opening Balance	81	111	41	77	123	188
ITC Earned	7	11	35	53	42	64
Adjustments	–3	–4	–7	–7	–10	–10
ITC Claimed and/or Refunded	8	12	36	50	44	62
Closing Balance	77	106	34	73	111	179
'Exploration Tax Credit'						
Opening Balance	36	36	6	6	41	41
ETC Earned	13	13	13	13	26	26
Adjustments	–1	–1	–	–	–1	–1
ETC Claimed and/or Refunded	40	40	13	13	54	54
Closing Balance	40	40	13	13	54	54
CCEE						
Opening Balance	901	1000	970	1002	1871	2001
Net Additions	787	792	939	960	1727	1752
Government Assistance – ETC	28	28	15	15	43	43
Government Assistance – Other	49	49	8	8	57	57
Adjustments	–40	–47	–1	–9	–41	–56
Claimed In Current Period	526	530	812	828	1339	1358
Closing Balance	1046	1138	1073	1101	2119	2240
of which: Successor Balance	297	297	146	146	443	443

B21 (continued)
Current Year Claims and Tax Pools Remaining: 1989 in millions of dollars

	Canadian Controlled		Foreign Controlled		Total Industry	
	Upstream	Total	Upstream	Total	Upstream	Total
CCDE						
Opening Balance	1351	1352	1460	1573	2810	2924
Net Additions	392	393	342	298	735	691
Government Assistance	37	37	15	15	51	51
Adjustments	-46	-46	-149	-150	-196	-196
Claimed In Current Period	369	369	415	392	784	761
Closing Balance	1291	1293	1223	1314	2514	2607
of which: Successor Balance	196	196	134	150	330	346
Earned Depletion Base						
Opening Balance	565	681	1114	1179	1679	1859
Net Additions	46	48	44	47	91	95
Adjustments	-16	-16	-13	-13	-28	-28
Claimed In Current Period	57	60	158	164	215	224
Closing Balance	538	654	988	1048	1526	1702
of which: Successor Balance	182	182	375	375	558	557
CCOGPE						
Opening Balance	3070	3070	3007	3010	6076	6079
Net Additions	807	807	255	255	1062	1062
Adjustments	-731	-731	101	101	-630	-630
Claimed In Current Period	247	247	244	244	490	490
Closing Balance	2899	2899	3119	3122	6018	6021
of which: Successor Balance	179	179	480	480	660	660
Foreign E&D Expenses						
Opening Balance	467	469	237	237	705	706
Net Additions	130	130	52	52	182	182
Claimed In Current Period	89	89	62	62	151	151
Closing Balance	508	510	228	228	736	738
Frontier Exploration Allowance						
Opening Balance	-	-	141	141	141	141
Claimed In Current Period	-	-	36	36	36	36
Closing Balance	-	-	104	104	104	104
Memo Items:						
Canadian E&D Overhead Expenditures (CEDOE)	72	72	75	75	147	147
Resource Profits For Resource Allowance	2670	2740	4247	4284	6918	7025
Production Royalties Received	81	117	52	52	132	168
Production Royalties Paid	86	86	189	189	275	275
Interest Capitalized for Tax Purposes	4	36	18	18	22	55
Interest Expensed for Tax Purposes	563	988	1044	1704	1607	2692
Canadian Manufacturing and Processing Profits	28	110	188	619	216	728

Appendix C Glossary of Terms

Acquisitions – the acquisition of shares of other petroleum companies or the purchase of assets from such companies. Capital outlays for these purposes are included under the category 'All Other Uses of Funds' in monitoring reports. *(Acquisitions)*

All Other Sources of Funds – proceeds from the sale of assets or long-term investments and pre-payments received for future production and the reclassification of sizeable short-term debt to long-term such as occurred in 1984. *(Autres sources de fonds)*

All Other Uses of Funds – includes acquisitions, purchases of used machinery and equipment, and long-term investments. *(Autres affectations de fonds)*

Amortization – the depreciation, depletion or charge-off to expense of tangible and intangible assets over a period of time. It includes costs associated with mineral properties prior to the time they are developed and entered into production. *(Amortissement)*

Canada Lands – physical areas of Canada outside provincial boundaries. *(Terres du Canada)*

Canadian Control – in general, a company is Canadian-controlled when 50% or more of its voting shares are held by Canadian residents either directly or indirectly. In a few exceptional cases, when a significant block of shares is held by Canadian residents and the remaining shares are widely held, a company may be effectively Canadian-controlled even though more than 50% of the voting shares are held by non-residents. *(Contrôle canadien)*

Canadian Exploration and Development Incentive Program (CEDIP) – provided direct assistance to companies conducting exploration and development activities in Canada. Beginning April 1, 1987, CEDIP provided a cash payment for 33 1/3 % of exploration and development expenses anywhere in Canada, up to a maximum of $10 million annually per company. Fiscal measures proposed under the Income Tax Reform of June 1987, provided for the phasing out of the program over approximately the same period as earned depletion. The CEDIP rate was fixed at 25% effective October 1, 1988, and the 16 2/3% rate was rescheduled to take effect July 1, 1989. The program was to be terminated on December 31, 1989, but was terminated instead on April 27, 1989, subject to specific grandfathering rules. *(Le programme canadien d'encouragement à l'exploration et à la mise en valeur)*

Canadian Exploration Incentive Program (CEIP) – provided up to $3 million in incentives per corporation for each calendar year, based on 30% of eligible expenses to a ceiling of $10 million a year. The $10 million limit was for both the CEIP and CEDIP programs. The CEIP program began for oil and gas exploration on October 1, 1988 when the incentive rate for the CEDIP program fell to 25%. CEIP incentives were limited to exploration expenses incurred under flow-through agreements, where the corporation and the investor were at arms' length. The federal budget of February 20, 1989 announced the early termination of the program, subject to grandfathering provisions. *(Le programme canadien d'encouragement à l'exploration)*

Canadian Ownership – the proportion of the total voting shares of a company held, either directly or indirectly (through other corporations), by Canadian residents. *(Participation canadienne)*

Capital Employed – the net book value of total assets, less current liabilities. *(Capital utilisé)*

Capital Expenditures – investments in new machinery, equipment, structures and resource properties, whether capitalized or charged directly to current operations, as well as intangibles (e.g. cost of leased equipment), capitalized interest and capitalized repair expenditures. *(Dépenses de capital)*

Current Income Tax – the portion of the provision for income taxes, both federal and provincial, pertaining to the reporting period and assumed to be currently due. *(Impôts sur le revenu courants)*

Debt/Equity Ratio – the ratio of long-term liabilities (over one year) to shareholders' equity (share capital plus retained earnings) at the end of a period. Depending upon their terms and conditions, preferred shares may be classified as either debt or equity (see 'long-term debt'). *(Rapport d'endettement)*

Deferred Income Taxes – taxes accrued and reflected as an expense in the income statement, but not payable in the financial reporting period. Income taxes are deferred, for example, when companies write off capital assets (using capital cost allowances) for income tax purposes at rates that exceed those employed in preparing their financial reports. *(Impôts reportés)*

Depletion – the amount charged to expense in the company's financial statements which relates to depletable assets that have been capitalized. This is not the earned depletion allowance calculated for income tax purposes. *(Epuisement)*

Depreciation – the amount charged to expense which relates to depreciable assets that have been capitalized. This is not the amount of capital cost allowance that is used to compute depreciation for income tax purposes. *(Dépréciation)*

Development Expenditures – includes drilling and well completion costs in an area of already proven oil or natural gas reserves, expenditures on field gathering and separation systems, and the cost of acquiring proven reserves. *(Dépenses de mise en valeur)*

Downstream Segment – includes refining and marketing, transportation and petrochemical operations. *(Secteur aval)*

Energy Mining – uranium and coal mining (excludes oil sands mining). *(Extraction minière des ressources énergétiques)*

Equity – the book value of shareholders' paid-up capital, contributed surplus and retained earnings. *(Avoir propre)*

Exploration Costs – includes all lease fees and land acquisition costs, geological and geophysical expenditures, and exploratory drilling costs whether capitalized or expensed. Exploratory drilling is generally defined as the drilling of a well outside a proven area, or within a proven area but to a previously untested zone, in order to determine whether oil or gas reserves exist. Also included are costs of dry wells, casing and other materials and equipment abandoned in place. *(Frais d'exploration)*

External Sources of Funds – funds obtained from sources other than internal cash flow. Long-term debt and equity are the main examples. *(Sources externes de fonds)*

Extraordinary Item – income and expenses items resulting from transactions that possess a high degree of abnormality and are of a type that would not reasonlably be expected to recur in the forseeable future. *(Postes extraordinaires)*

Flow-through Shares – a financial vehicle that allows a resource company to issue shares and thereby raise funds for exploration and development expenditures. In turn, the company renounces the associated tax expenses such as Canadian exploration expenses (CEE), Canadian development expenses (CDE) and Canadian oil and gas property expenses (COGPE) to the purchasers of the flow-through shares. Flow-through arrangements permit investors to deduct resource expenses incurred by the issuing corporation against income from other sources. *(Actions accréditives)*

Full Cost Accounting – an accounting method by which all costs incurred in prospecting for reserves and in acquiring, exploring and developing properties within cost centres are initially capitalized and only charged to expense as the reserves deemed to be related to those costs are produced. Costs incurred include prospecting, leasing, acquisition, retention, exploration and development costs, and associated indirect costs (i.e. general and administrative costs). Operating costs are expensed as incurred. *(Méthode de capitalisation du coût entier)*

Integrated Companies – individual companies that have significant revenues in both the upstream and downstream segments. *(Sociétés intégrées)*

Internal Cash Flow – net income after tax plus exploration and development expenditures expensed in the current period, depreciation, depletion, amortization and deferred income taxes. *(Ressources d'autofinancement)*

Junior Producers – companies that are predominantly exploration and production oriented and that individually generate less than 1% of industry upstream revenues. *(Petits producteurs)*

Large Corporations Tax – a tax introduced in the April 27, 1989 federal budget which is levied at a rate of 0.175% on capital in excess of $10 million employed in Canada by corporations. The LCT is not deductible in computing income for tax purposes, but is creditable against the corporate 3% surtax. *(Taxe sur les grandes sociétés)*

Long-term Debt – debt that has a maturity date greater than one year. Preferred shares may be treated as long-term debt when they are redeemable for a fixed amount without conversion privileges or voting rights. *(Dette à long terme)*

Non-cash Charges – items expensed in the reporting period that do not require an actual financial outlay in that period, such as depreciation, depletion and amortization. *(Frais non monétaires)*

Non-conventional Heavy Oil – deposits of oil of a density usually greater than 934 kg/m^3 that are for the most part recoverable through enhanced recovery methods. Canadian deposits of heavy oil are typically in the range of 935 to 985 kg/m^3. Main centres are Cold Lake and Lloydminster. *(Pétrole lourd non classique)*

Oil Sands – crude bitumen resources from deposits that are generally solid unless heated and are of a density usually greater than 985 kg/m^3. Athabasca, Peace River, Wabasca, Cold Lake and Buffalo Head Hills are the main Canadian resource areas. *(Sables pétrolifères)*

'Other Canadian' Operations – include drilling services, coal and uranium mining, metal mining, and other non-petroleum related activities. In addition, corporate activities may be included here. *(Autres activités au Canada)*

Production Expenditures – all expenditures relating to the production of crude oil and natural gas. Expenditures on natural gas processing plants are included. *(Dépenses de production)*

Senior Producers – companies that are predominantly exploration and production oriented and that individually generate more than 1% of industry upstream revenues. *(Grands producteurs)*

Successful Efforts Accounting – an accounting method by which only costs resulting directly in identifiable future benefits through discovery, acquisition or development of reserves are capitalized. Costs that do not provide identifiable future benefits are expensed as incurred, or are written off when the properties are determined to be non-productive. Such costs include those relating to geological and geophysical studies, retention of undeveloped properties, and non-productive exploration and development efforts. *(Méthode de capitalisation du coût de la recherche fructueuse)*

Upstream Segment – activities and operations related to the search for, and development, production, extraction and recovery of crude oil, natural gas, natural gas liquids and sulphur, as well as the production of synthetic oil. *(Secteur en amont)*

Working Capital – current assets (cash, short-term investments, accounts receivable, inventories) less current liabilities (accounts payable, debts and obligations maturing in less than one year). *(Fonds de roulement)*

Income Tax-Related Definitions

Capital Cost Allowance (CCA) – is the income tax equivalent of accounting depreciation. A taxpayer is permitted to deduct certain allowances in respect of the capital cost of depreciable property to the extent prescribed by the Income Tax Regulations (ITR). The June 1987 Tax Reform reduced the CCA rates for certain types of property to bring their CCA rate more in line with actual depreciation rates. It also introduced the put-in-use rule for property acquired after 1989. According to this rule, taxpayers cannot claim CCA and the investment tax credit is not earned until the earliest of either the year the asset is put in use or the year in which the construction is completed and it is ready for use. *(Allocations du coût en capital)*

Some of the more relevant classes of Capital Cost Allowance for the oil and gas, and mining industries are:

Class 10 – includes assets such as oil and gas well equipment, drilling rigs (except offshore drilling vessels), certain geophysical equipment, heavy oil upgrading equipment, and certain tangible assets acquired in connection with oil and gas exploration and development not included as a Canadian Exploration Expense or a Canadian Development Expense (see below) (ref: Schedule II of the ITR). Most of the properties that prior to 1988 would have qualified for Class 10, and therefore written–off at a rate of 30% per annum, are now class 41 being written down at a rate of 25%. *(Catégorie 10)*

Class 28 – includes assets used in the gaining or producing of income from new mines or major expansions of mines (including oil sands deposits) (ref: Schedule II of the ITR). The Tax Reform reduced the CCA rate for this class from 30% to 25% per year. *(Catégorie 28)*

Class 29 – includes assets manufactured or acquired by the taxpayer and used directly or indirectly by the taxpayer in Canada primarily in the manufacturing or processing of goods for sale or lease (ref: Schedule II of the ITR). Under the previous legislation the assets included in this class could be depreciated on a straight–line basis. For assets acquired after 1987, a separate class is to be established; the CCA rate for this new class was 40% in 1988, 35% in 1989, 30% in 1990 and 25% on a declining balance basis thereafter. *(Catégorie 29)*

Depletion:

Earned Depletion Allowance – a deduction from income not exceeding the lesser of either 25% of resource profits for earned depletion purposes or the earned depletion base. The Tax Reform proposals phased out the balance of earned depletion in two stages ending December 31, 1989 (ref: ITR 1201). *(Déduction pour épuisement gagné)*

Earned Depletion Base – an amount, net of prior years earned depletion allowances claimed, equal to 33 1/3% of qualifying prescribed expenditures. Such expenditures include integrated oil sands projects, enhanced recovery projects and heavy crude oil upgraders. For 1984, the additions to the earned depletion base also included 10% of Canadian Exploration Expenses incurred on Canada Lands. Tax Reform reduced to 16 1/3% the prescribed percentage of eligible expenses to be added to the Earned Depletion Base (ref: ITR 1205). *(Base de la déduction pour épuisement gagné)*

Frontier Exploration Allowance – a deduction with respect to expenditures incurred between April 1, 1977 and March 31, 1980. The Frontier Exploration Allowance was 66 2/3% of any CEE expense to the extent that the expense exceeded $5 million. The unclaimed balance of such allowance constitutes a corporation's Frontier Exploration base. *(Allocation pour exploration frontalière)*

Mining Exploration Depletion Allowance – a deduction from income not exceeding the lesser of either 25% of income from any source or the mining exploration depletion base (ref: Draft ITR 1203(1)). *(Déduction à l'égard d'épuisement pour exploration minière)*

Mining Exploration Depletion Base – an amount, net of prior year mining exploration depletion allowances claimed, equal to 33 1/3% of Canadian Exploration Expenses incurred after April 19, 1983 (ref: Draft ITR 1203(2)). *(Base d'exploration minière pour épuisement)*

Supplementary Depletion Allowance – prior to 1981, expenditures in respect of enhanced oil recovery projects, bituminous sands and heavy oil upgrading were not eligible for earned depletion, but instead were eligible for supplementary depletion. *(Déduction supplémentaire pour épuisement)*

Exploration, Development and Property Acquisition Costs:

Canadian Development Expense (CDE) – any expense, other than a Canadian Exploration Expense (see below), incurred in drilling or completing an oil or gas well prior to the commencement of production in commercial quantities from the well, or in drilling or converting a well to dispose of waste liquids or to inject materials to assist in the recovery of petroleum and natural gas from another well. Also included is the expense of drilling or recompleting a well after production in commercial quantities has commenced, expenses incurred before November 17, 1978 in bringing a mineral resource into production, and the expense of acquiring a mineral resource in Canada other than payments made for the preservation of a mineral resource property (ref: Paragraph 66.2(5)(a) of the Income Tax Act (ITA)). *(Frais d'aménagement au Canada)*

Cumulative Canadian Development Expense (CCDE) – a "pool" equal to the aggregate of all previously incurred CDE less specified amounts. These specified amounts include amounts of CCDE previously deducted in computing income for tax purposes and the aggregate of related federal and provincial government assistance or benefits received (eg. PIP development grants) (ref. Paragraph 66.2(5)(b) of the ITA). *(Frais cumulatifs d'aménagement au Canada)*

Deduction for CCDE – a deduction which is available in respect of CCDE which permits all taxpayers to deduct an amount not exceeding 30% of their CCDE pool balance in computing income for tax purposes (ref: Subsection 66.2(2) of the ITA). *(Déduction pour frais d'aménagement cumulatifs engagés au Canada)*

Canadian Exploration Expense (CEE) – any expense incurred in determining the existence, location, extent or quality of an accumulation of petroleum or natural gas, or a mineral resource in Canada. CEE includes geological, geophysical and geochemical expenses and any expense relating to the first well capable of commercial production that is drilled in an area where hydrocarbons were not previously known to exist. Effective April 1, 1987 several modifications were made providing taxpayers an additional six months following the end of a taxation year to determine whether a well has been abandoned or resulted in a discovery of a new accumulation. The production criterion has been revised so that production is considered "commercial" only if it is in excess of amounts required for testing or other "prescribed" uses. Special provisions apply for capped or shut in wells with no production from an accumulation known to exist as well as for wells being reclassified from CDE. Also, wells costing in excess of $5 million, that are not productive within two years after completion of drilling, receive exploration treatment from the outset. Expenses incurred after November 16, 1978 in bringing a mineral resource into production are also included (ref: Paragraph 66.1(6)(a) of the ITA). *(Frais d'exploration au Canada)*

Cumulative Canadian Exploration Expense (CCEE) – a "pool" equal to the aggregate of all previously incurred CEE less specified amounts. These specified amounts include amounts of CCEE previously deducted in computing income for tax purposes and the aggregate of related federal and provincial government assistance or benefits received (e.g. PIP exploration grants) (ref: Paragraph 66.1(6)(b) of the ITA). *(Frais cumulatifs d'exploration au Canada)*

Deduction for CCEE – a principal business corporation (ref: Paragraph 66(15)(h) of the ITA) must deduct its balance of CCEE in computing income for tax purposes to the extent that it has income. It may not, however, create a non-capital loss (see below) through its claim for CCEE (ref: Subsection 66.1(2) of the ITA). A non-principal business corporation and all other taxpayers may deduct 100% of their CCEE pool balance in computing income for tax purposes and may create a non-capital loss thereby (ref: Subsection 66.1(3) of the ITA). *(Déduction pour frais cumulatifs d'exploration au Canada)*

Canadian Oil and Gas Property Expense (COGPE) – any expense incurred in acquiring any right, licence or privilege to explore for, drill for or take petroleum, natural gas or related hydrocarbons in Canada, any oil or gas well in Canada, or any rental or royalty computed by reference to the amount or value of production from an oil or gas well in Canada other than a payment made for the preservation of such property (ref: Paragraph 66.4(5)(a) of the ITA). *(Frais à l'égard de biens canadiens relatifs au pétrole et au gaz)*

Cumulative Canadian Oil and Gas Property Expense (CCOGPE) – a "pool" equal to the aggregate of all previously incurred COGPE less specified amounts. These specified amounts include amounts of CCOGPE previously deducted in computing income for tax purposes and the aggregate of related federal and provincial government assistance or benefits received (ref: Paragraph 66.4(5)(b) of the ITA). *(Frais cumulatifs à l'égard de biens canadiens relatifs au pétrole et au gaz)*

Deduction for CCOGPE – a deduction which is available in respect of CCOGPE which permits all taxpayers to deduct an amount not exceeding 10% of their CCOGPE pool balance in computing income for tax purposes (ref: Subsection 66.4(2) of the ITA). *(Déduction pour frais cumulatifs à l'égard de biens canadiens relatifs au pétrole et au gaz)*

Cumulative Offset Account (COA) – a deduction which allows companies to use write-offs associated with exploration and development expenditures incurred after March 31, 1985 – which are not immediately claimable under federal corporation income tax – to shelter net production revenues from PGRT during the PGRT phase-out period. For PGRT purposes, a corporation is entitled to claim a tax credit equal to the lesser of either the PGRT payable or 30% of the amount by which the current COA exceeds the immediately preceding year's COA. If a deduction from COA is made in the computation of taxable income the amount is subject to a 30% tax. A corporation must claim its remaining COA by the end of its 1994 taxation year; any remaining balance expires after that date. *(Compte compensatoire cumulatif)*

Foreign Exploration and Development Expense (FEDE) – a deduction which is available in respect of exploration, development and property acquisition costs, including payments made for the preservation of a foreign resource property, incurred by a corporation in a country other than Canada. Where the corporation has foreign production or royalty income in excess of 10% of the corporation's FEDE, the deduction must equal the amount of that income. Where the production or royalty income is less than 10% of the corporation's FEDE, the deduction must equal 10% of the FEDE. FEDE carried over to a subsequent year is reduced by the amount that was deductible in a previous year, whether or not the amount was actually claimed (ref: Subsection 66(4) of the ITA). *(Frais d'exploration et d'aménagement étrangers)*

Successor Balance – the amount of a successor account that may be deducted by a successor corporation. The Income Tax Act imposes restrictions on the source of income against which successor balances may be deducted. *(Solde successoral)*

Gains and Losses:

Allowable Business Investment Loss – one-half of the loss arising from the arm's length disposition of a capital asset which is a share of a capital stock of a Canadian Controlled Private Corporation (CCPC), a debt owing to the taxpayer by a CCPC, shares of any corporation which has become bankrupt during the previous year, or a debt owing to the taxpayer which the taxpayer has determined to be a bad debt in the year. The inclusion rates for the allowable investment losses have been changed in the same manner as for taxable capital gains and allowable capital losses. A two–thirds rate is effective for taxation years of Canadian–controlled private corporation commencing after 1987 and for taxation years of other corporations commencing after June 30, 1988. The inclusion rate has been increased to three–quarters for all corporations since 1989 (ref: Paragraphs 38(c) and 39(1)(c) of the ITA). *(Perte déductible au titre d'un placement d'entreprise)*

Allowable Capital Loss – one-half of the loss arising from the disposition of a capital asset where, at the time of disposition, the adjusted cost base of the asset exceeds the proceeds of disposition. With the changes in the inclusion rates from 1987 to 1990, the net capital loss claimed in a year by a corporation will be adjusted depending on any difference in the inclusion rate in the loss year and the year of claim.(ref: Paragraphs 38(b) and 40(1)(b) of the ITA). *(Perte en capital déductible)*

Foreign Exchange Gains/Losses – gains or losses resulting from currency fluctuations relative to Canadian currency on assets or liabilities denominated in foreign currency which are held by the corporation throughout the year. These may be treated as capital gains or losses or income gains or losses on realization (ref: Interpretation Bulletin 95R). *(Pertes ou gains relatifs aux monnaies étrangères)*

Net-Capital Loss – the amount of all allowable capital losses incurred in the year or prior years which have not yet been deductible in computing income for tax purposes (ref: Paragraph 111(8)(a) of the ITA). *(Perte en capital nette)*

Non-Capital Loss – the aggregate of all business and property losses for tax purposes incurred in the year including allowable business investment losses. To the extent that a non-capital loss is not claimable in a taxation year, it may be carried over to other years. The carryover period extends back three taxation years and forward seven taxation years (ref: Paragraph 111(8)(b) of the ITA). *(Perte autre qu'une perte en capital)*

Taxable Capital Gain – one-half of the gain arising from the disposition of a capital asset. The amount of the gain is measured as the difference between the proceeds of disposition and the adjusted cost base of the asset. The portion of capital gains included in income increased to 66 2/3% in 1988 and 75% in 1990. These rates are effective since June 30, 1988 and January 1, 1990 respectively. For CCPCs the 66 2/3% rate is effective since January 1, 1988 (ref: Paragraphs 38(a) and 40(1) of the ITA). *(Gain en capital imposable)*

Terminal Loss – the loss arising at the end of a taxation year when an unclaimed balance remains in a CCA class and the taxpayer no longer owns any property included in that class (ref: Subsection 20(16) of the ITA). *(Perte finale)*

Tax Credits:

Exploration Tax Credit (ETC) – Canadian Exploration Expenses in respect of wells costing more than $5 million earn a refundable ETC at the rate of 25% of such expenses. Expenses for overhead, financing charges, other expenses which are not well-specific, and expenses which attract incentives under the Canadian Exploration and Development Incentive Program and Canadian Exploration Incentive Program are not included. The ETC claimed reduces the amount of Canadian Exploration Expenses otherwise claimable. For taxation years prior to 1988 a refund of 40% of the credit not otherwise utilized in the year may be applied for by taxpayers. Only expenses incurred after March 31, 1985 to December 31, 1990 are eligible for ETCs. *(Crédit d'impôt à l'exploration)*

Foreign Tax Credit – a deduction from taxes otherwise payable of an amount equal to the lesser of the business income taxes paid to a foreign government in respect of business activity carried on in that country or the Canadian taxes otherwise payable on that activity. Certain carryover provisions (see below) are available where a corporation is unable to utilize the entire amount of foreign taxes paid in a given year as a foreign tax credit (ref: Subsection 126(2) of the ITA). *(Déduction pout impôt étranger)*

Foreign Tax Carryovers – business income taxes paid in a foreign country which are not fully creditable against Canadian income tax in the particular year may be carried forward for the five immediately succeeding years. No carryback provisions exist. A foreign tax carryforward is creditable against Canadian income tax in the subsequent five-year period only to the extent that the taxpayer has income from any business carried on in that particular country (ref: Paragraph 126(7)(b) of the ITA). *(Report d'impôt étranger)*

Investment Tax Credit (ITC) – Depending on the nature of certain capital or depreciable assets acquired in the year and the location in Canada where those assets are used, tax credits ranging from 7% to 50% of their capital cost are available. ITCs claimed in the year reduce the amount eligible for the Capital Cost Allowance in respect of the asset. Credits earned prior to April 20, 1983 were restricted to a maximum annual claim of $15,000 of tax payable plus one-half of the amount by which the ITC exceeds $15,000. Credits earned after April 19, 1983 may be claimed without limitation against tax payable or partially refunded where no taxes are payable. In its February 1986 Budget, the federal government announced the phaseout over two years, commencing in January 1987, of the general 7% and 10% ITC available in regions other than the Atlantic provinces. The existing 20% ITC available in the Atlantic region remain, and was extended to the offshore of that region. For taxation years ending after 1987, the ITCs deductible in computing tax payable are limited by an "annual investment tax credit limit". The rates of credit for research and development remain unchanged at 20% and 30% (ref: Section 127 of the ITA). *(Crédit d'impôt à l'investissement)*

Scientific Research and Experimental Development Tax Credit (SREDTC) – Corporations may deduct from income tax otherwise payable an amount not more than 50% of their expenditures incurred through the purchase of equity or debt obligation instruments issued by a research performing corporation pursuant to a Scientific Research Financing Contract. The corporation claiming the SREDTC must be the first purchaser of such debt obligations. The taxpayer may deduct from its tax otherwise payable under Part I, an amount not exceeding the aggregate of the credit earned in that year plus its unused credit for the year immediately following that year (ref: Section 127.3 and Section 194 of the ITA) (see also Investment Tax Credit). *(Crédit d'impôt pour la recherche scientifique)*

Other Tax Deductions:

Canadian Dividends – taxable dividends from either a taxable Canadian corporation or a corporation resident in Canada which is controlled by the dividend recipient. A deduction from income equal to the dividend received is allowed (ref: Subsection 112(1) of the ITA). *(Dividendes canadiens)*

Non-Taxable Foreign Dividends – dividends paid out of business income by corporations that are foreign affiliates (ref: Paragraph 95(1)(d) of the ITA). The dividends are recorded net of foreign withholding taxes. The rules for deductions in respect of dividends received from foreign affiliates are described in Subsection 113(1) of the ITA. *(Dividendes étrangers non imposables)*

Canadian Exploration and Development Overhead Expenses (CEDOE) – general and administrative costs, indirectly related to exploration and development activities, which are capitalized as CEE and CDE expenses and are deducted from resource profits used to determine resource allowance. *(Dépenses de frais généraux d'exploration et de mise en valeur au Canada)*

Federal Tax Abatement – a deduction from tax otherwise payable by a corporation equal to 10% of the corporation's taxable income earned in a province or territory. The deduction recognizes the fact that income tax is levied by provincial governments (ref: Subsection 124(1) of the ITA). *(Abattement d'impôt fédéral)*

Manufacturing and Processing Profits Deduction – a deduction from tax otherwise payable on income arising from the manufacturing or processing of goods in Canada of 6% of income not eligible for the small business deduction and of 5% of income eligible for the small business deduction. The Tax Reform reduces the difference between the general rate and the rate for manufacturing and processing profits to 2% in 1988; this difference will increase 1% annually through 1991, when it will reach 5%. For a corporation that qualifies for both the small business deduction and the manufacturing and processing profits deduction, the federal tax rate applicable before surtax, is 12% (ref: Section 125.1 of the ITA). *(Déduction pour bénéfices de fabrication et de transformation)*

Resource Allowance – a deduction from income equal to 25% of the taxpayer's resource profits. The deduction is allowed in lieu of any deduction for royalties paid to the Crown (ref: ITR 1210). *(Déduction à l'égard des ressources)*

Appendix D PMA Terms of Reference

Mandate of the Petroleum Monitoring Agency

The Petroleum Monitoring Agency (PMA) was established initially in 1980 under the Inquiries Act and continues under the Energy Monitoring Act (EMA)[1] after February 1983. The Agency's goals are to provide the federal government and Canadians generally with comprehensive and objective information on and analysis of the financial performance of the petroleum industry in Canada: The purpose of these goals is:

(a) to enable the Government of Canada to better plan and develop policies for the management of Canada's energy supplies and resources, and

(b) to provide the Government of Canada and Canadians generally with assurances that those policies are being pursued and are effective.[2]

These goals are accomplished by publishing semi-annual and annual reports based on information received directly from all but the smallest oil and gas companies doing business in Canada.

To provide impartiality of reporting and maintain credibility among users, the PMA was created as a separate and independent agency, with its Chairman reporting directly to the Minister of Energy, Mines and Resources.

The Act, at subsection 5(1), sets out that energy enterprises shall file, twice a year, returns providing data and information relating to:

(a) ownership and control,
(b) sources and application of funds,
(c) exploration, development, production, processing, refining and marketing,
(d) costs and revenues,
(e) deductions, credits, allowances and carry forwards provided under the Income Tax Act,
(f) the distribution and disposition of its revenues and profits,
(g) resources, reserves and properties,
(h) ownership or interest in any other enterprise,
(i) research and development programs, and
(j) other prescribed matters relating to oil and gas production, refining and marketing, and the funds derived from such activities.

Energy enterprises are defined as individuals, corporations, partnerships, trusts or organizations engaged in the exploration for, development, refining and marketing of oil and gas and having consolidated gross annual revenues or assets in excess of ten million dollars. Regulations prescribe that gross revenues and assets be determined according to accounting standards set out in the Canadian Institute of Chartered Accountants Handbook. Currently only corporations are surveyed by the Agency. Each energy corporation is required to report on a consolidated basis on the activities of corporations it controls or owns.

Sources of Data and Information

The data published in The Canadian Petroleum Industry *Monitoring Report* are aggregate data derived mainly from survey schedules prescribed by regulations.[3] Since part of the Agency's information gathering function falls within areas covered by Statistics Canada, a number of data sharing agreements were negotiated between PMA and Statistics Canada under section 12 of the Statistics Act. These agreements reduce the industry's response burden in relation to the Agency's overall information requirements. Information also flows from PMA to Statistics Canada. Current data sharing agreements relate to:

- ownership and control of energy enterprises,
- capital structure,
- international flows of funds,
- research and development expenditures,
- exploration, development and capital expenditure intentions,
- quarterly corporate financial statistics,
- employment and compensation, and
- capital expenditures and operating costs.

The first seven of these involve transmission of information to the PMA; the last includes information on such subjects as exploration, development and production expenditures, and royalties from the PMA to Statistics Canada.

(1) S.C. 1980-81-82-83, c. 112.
(2) P.C. 1980-2137.
(3) Currently prescribed schedules are contained in Regulation SOR/90-731

Data Coverage

Industry gross revenues covered by the PMA through aggregation of returns from 123 reporting enterprises account for 90% of upstream industry revenues as determined by Statistics Canada. The remaining 10% of industry revenues accrues to firms having revenues or assets below the Agency's current reporting thresholds. The high degree of coverage of industry revenues and the inclusion of all but the smallest energy enterprises enable conclusions drawn from Agency aggregates to be applied to the industry as a whole. Degrees of coverage of other performance indicators are presented below.

Comparison of PMA Data with 1989 Industry Aggregates
Percentage of industry aggregates covered

Upstream Production Revenues	90
Upstream Expenditures in Canada	89
Production Volumes:	
Crude Oil and Liquids	91
Marketable Natural Gas	91
Refined Product Sales Volumes	97

Comparison of Survey Results – PMA vs. Statistics Canada

The petroleum industry's financial performance is regularly compared to that of other sectors of the economy using aggregate data from Statistics Canada. Net income and rates of return information provided in Chapters 1 and 2 of this report will differ slightly from the results shown in Chapter 3 because the latter is based on Statistics Canada data.

Petroleum industry data from Statistics Canada, while covering a greater number of companies than the PMA survey, exclude government business enterprises as well as the foreign activities of Canadian petroleum companies. The PMA survey covers the global activities of petroleum companies operating in Canada, including Crown corporations, provided these companies meet the minimum requirements in terms of assets and revenues. In addition, though Statistics Canada may make adjustments to company reported data, the PMA reports only on the industry's activities as they are submitted. For example, in 1983, a write-down by one large Canadian-controlled company of assets of $1 billion was treated as 'extraordinary' by Statistics Canada, whereas the Agency accepted the entry as 'ordinary', as reported by the company.

Regarding rates of return, both agencies determine return on capital employed by adding back to net income the after-tax portion of interest on long-term debt. While the PMA produces this calculation for each company individually, using the statutory tax rate on that portion of interest expense which would increase net income, the add back on Statistics Canada aggregate industry results must rely on the average effective tax rate, i.e. current taxes as a percentage of net income before taxes.

Ownership and Control Determination

The PMA publishes information annually on the level of Canadian ownership and control of the oil and gas industry in Canada. The methodology and sources of information underlying its analyses are summarized below.

In the process of control determination, the Agency has based its definition on whether Canadian or foreign shareholders have potential control over a reporting enterprise's overall operations. Control is a contractual right conferred upon a person, or group of persons, to direct, within the limitations of relevant statutes, in the present or at some future date, the affairs or management of a company, on a day to day basis or otherwise, usually through the appointment of a majority of a board of directors. Control is not to be confused with managerial responsibility for the firm. The concept of control emerged in order to recognize the separation in modern corporations between managers and shareholders. Shareholders assert control over management through the board of directors and the shareholders' meetings.

Control that is exercised by, for instance, nominating and electing the majority of the directors is active control. Control is just as real when the shareholder with a continuing right to intervene chooses instead, for whatever reason, not to exercise that right. The latter unexercised option to take active control is called potential control. For the purposes of the PMA, the two types of control – active and potential – are equivalent. Both types are called control. The Canadian Business Corporations Act similarly embraces the concept of potential control within its definition of control which refers to sufficient votes, "*if exercised*, to elect a majority of the directors of the body corporate."

While control is generally based on the ownership of 50% or more of voting shares, it is possible for control to be exercised with a smaller ownership block. A person who owns at least 51% of the voting shares is said to have "de jure" control. One who owns less than 50% of the voting shares, but is able to alter the composition of the board of directors and/or management, is said to have "de facto" control. Statistics Canada assigns "de facto" control of a public corporation, for the purposes of the Corporations and Labour Unions Return Act (CALURA), to a person owning at least 20% of the outstanding voting shares when no other two shareholders together own as much as 20%.(1) The PMA methodology for determining control in such cases is consistent with that used by Statistics Canada. "De facto" control may also be conferred upon a person, or group of persons, owning less than 51% of the voting shares of a public or private corporation through several other mechanisms:

(a) *Blocks of voting shares* – Two or more shareholders whose holdings together sum more than 50% of total shares and who generally act in concert.

(b) *A shareholders' agreement* – An agreement among some or all shareholders to vote or act in certain ways in various contingent circumstances, especially in relation to naming directors.

(c) *Options* – A minority shareholder enjoys the right at any time to acquire additional voting shares to raise his holdings to 51% or more of the outstanding voting shares.

(d) *Personal Relationships* – Where two shareholders are related by blood relationship, marriage or adoption, they may be deemed to constitute a voting group.

(e) *Interlocking Directorships* – When corporation A owns at least a minimum percentage of voting shares of corporation B, and is the single largest minority shareholder of corporation B, and both corporations share a large number of common directors, corporation A is said to control corporation B.

For purposes of determining the industry-wide level of control, 100% of the relevant yardstick of the controlled company is assigned to the appropriate control category. Thus, regardless of the percentage ownership of voting rights by non-residents, if the company is effectively controlled by non-residents, then for statistical purposes 100% of its activities are assigned to the foreign-controlled sector. To illustrate, several integrated companies included in this report, though all foreign controlled, have varying degrees of Canadian ownership (up to 30%). However, when measuring the level of control the entirety of their relevant corporate activities is assigned to the appropriate control sector.

In the case of ownership, that percentage of the relevant yardstick which represents the beneficial ownership of formal equity by non-residents is assigned to the foreign-owned category, while that of Canadian residents is assigned to the Canadian-owned category.

The most commonly used yardsticks are upstream or total petroleum-related revenues (upstream plus downstream). Ownership and control are generally measured on gross revenues recognizing that these best reflect economic activity and that they are a stable proxy for net economic benefits over time. For example, the deduction of royalties from gross petroleum revenues would have little or no impact on the relative distribution of revenue between Canadian and foreign owners.

Other measurement bases such as assets or capital employed do exist but suffer from the deficiencies of relying upon historical 'book' values rather than current market value, and of being subject to the different accounting techniques used in the petroleum industry such as the full cost and successful efforts methods.

The Agency has access to ownership and control information collected under CALURA from those enterprises which report under the EMA. CALURA requires detailed disclosure of ownership information from all owners of blocks of shares equal to or greater than 5% of total voting shares. Should a reporting energy enterprise fail to file a timely return under CALURA, Regulation SOR/85-328 authorizes the Agency to obtain the ownership and control information directly.

(1) *The Ownership, Control, and Country of Control of Corporations*, Statistics Canada, June 4, 1987, p. 8.

Inter-period Comparability of Results

The Canadian Petroleum Industry Monitoring Report presents comparisons of the current reporting period's results with those of previous comparable periods. Such comparisons are sensitive to changes in the list of reporting companies defined as the 'industry', in its analytic groups, i.e. integrateds and refiners, and oil and gas producers, and in the control status of reporting enterprises. To permit valid inter-period comparisons, the Agency consistently fixes industry group membership and control according to the reported information for the current period, and imposes that membership and control on results for the prior reporting period. Where data covering more than two years are presented, the group membership and control is that prevailing at the time of reporting, except for the immediately preceeding period.

Lists of reporting enterprises (i.e. corporations with more than $10 million in assets or sales) are updated each reporting period. Newly qualifying enterprises are added to the industry aggregates and the respective group only when results for two comparable reporting periods are available. Occasionally, enterprises exit from the industry during the current period, by acquisition or wind-up. Prior period results for both the industry and the group presented in the current period's report will reflect the exit of the former reporting enterprise: the enterprise is excluded from the current and the prior period aggregates. Should the exit result from acquisition by a reporting enterprise, the acquired enterprise's prior period results are added to those of the acquiring enterprise regardless of whether the acquired enterprise was in the same analytic group as the acquisitor.

Divestitures or acquisitions by reporting enterprises during the current period may result in an enterprise satisfying the inclusion criteria of an analytic group other than that to which it has been assigned in the prior period's Monitoring Report. For example, where an integrated group member divested itself of its downstream operations during the current period, it would be included in either the senior or junior producer group, depending upon the facts of the matter, for the current period and with that group's aggregate results for the corresponding prior period. It is important to note that all the divesting enterprise's prior period assets and revenues, regardless of the segment of operations, are transferred to the current period analytic group to establish prior period analytic group aggregates.

Similar adjustments to industry and analytic group aggregates are made in cases where ownership switches from Canadian to foreign or vice versa. The current period nationality of ownership determines that of the prior period for purposes of inter-period comparisons. However, in that part of the annual Monitoring Report dealing with ownership and control, the analysis takes into account the changes in the control of the reporting companies as they occur.

Appendix E Reporting Energy Enterprises

Alberta Energy Company Ltd.
Alberta Oil Sands Equity
Altana Exploration Company
Altex Resources Ltd.
Amerada Minerals Corporation of Canada Ltd.
American Eagle Petroleums Ltd.
American Trading and Production Corporation
Amoco Canada Petroleum Company Ltd.
Anadarko Petroleum of Canada Ltd.
Anderson Exploration Ltd.
AT&S Exploration Ltd.
ATCOR Ltd.
Atlantis Resources Ltd.
Barnwell of Canada, Ltd.
Bow Valley Industries Ltd.
Bowtex Energy (Canada) Corporation
BP Canada Inc.
Buttes Resources Canada, Ltd.
Cabre Exploration Ltd.
Canada Northwest Energy Limited
Canadian Conquest Exploration Inc.
Canadian General Electric Company Limited
Canadian Hunter Exploration Ltd.
Canadian-Montana Gas Company Limited
Canadian Occidental Petroleum Ltd.
Cancarb Gas Services Limited
CANPEX Co., Ltd.
Carlyle Energy Ltd.
Chauvco Resources Limited
* Chevron Canada Limited
Chevron Canada Resources Limited
Chevron Standard Limited
Chieftain Development Co. Ltd.
Cimarron Petroleum Ltd.
CN Exploration Inc.
Coho Resources Limited
Colonial Oil & Gas Limited
Columbia Gas Development of Canada Ltd.
Conoco Canada Limited
Consolidated Norex Resources Corp.
Consolidated Trans-Canada Resources Ltd.
Conwest Exploration Company Limited
Cooperative Energy Development Corporation
Corexcana Ltd.
Coseka Resources Limited
Czar Resources Ltd.
DEKALB Energy Canada Ltd.
Denison Mines Limited
Discovery West Corp.
Dorset Energy Corporation
Dynex Petroleum Ltd.
Encor Inc.
Enerplus Resources Corporation
Enron Oil Canada, Ltd.
Excel Energy Inc.
* Federated Co-operatives Limited
Forest Oil Corporation (Canada)
Gardiner Oil and Gas Limited
Gulf Canada Resources Limited
Hamilton Brothers Canadian Gas Company
Harvard International Resources Ltd.
Home Oil Company Limited
* Husky Oil Ltd.
ICG Resources Ltd.
* Imperial Oil Limited
Intensity Resources Ltd.
Inverness Petroleum Ltd.
* Irving Oil Limited
J.M. Huber Corporation
Joss Energy Ltd.
Kerr-McGee Canada Ltd.
Kerr-McGee Corporation
Koch Exploration Canada Ltd.
Ladd Exploration Company
LASMO Canada Inc.
LL&E Canada, Ltd.
Lone Pine Resources Ltd.
Luscar Ltd.
Maligne Resources Limited
Mannville Oil & Gas Ltd.
Mark Resources Inc.
* McColl-Frontenac Inc.
Mobil Oil Canada, Ltd.
* Mohawk Oil Canada Limited
Morgan Hydrocarbons Inc.
Morrison Petroleums Ltd.
Mosbacher Holding Company
Murphy Oil Company Ltd.
* NewGrade Energy Inc.
* Newfoundland Processing Limited
Norcen Energy Resources Limited
North Canadian Oils Limited
Northstar Energy Corporation
Norwich Resources Canada Ltd.
* NOVA Petrochemicals Inc.
Nova Scotia Resources Limited
Novalta Resources Inc.
Numac Oil & Gas Ltd.
Oakwood Petroleums Ltd.
Ocelot Industries Ltd.
Omega Hydrocarbons Ltd.
OMV (Canada) Ltd.
Opinac Exploration Limited
Orbit Oil & Gas Ltd.
Paloma Petroleum Ltd.
Panarctic Oils Ltd.
PanAtlas Energy Inc.
PanCanadian Petroleum Limited
Pancontinental Oil Ltd.
Paramount Resources Ltd.
* Parkland Industries Ltd.
Pecten Canada Limited
Pembina Resources Limited
Penn West Petroleum Ltd.
Pennzoil Petroleums Ltd.
* Petro-Canada Inc.
Petrorep (Canada) Ltd.
Phillips Petroleum Canada Ltd.
Phillips Petroleum Company Western Hemisphere
Phillips Petroleum Resources Ltd.
Pinnacle Resources Ltd.
Placer CEGO Petroleum Division
Poco Petroleums Ltd.
Ranchmen's Resources Ltd.
Ranger Oil Limited
Renaissance Energy Ltd.
Rife Resources Ltd.
Roan Resources Ltd.
Royal Trust Energy Corporation
Saskatchewan Oil and Gas Corporation
Sceptre Resources Limited
* Shell Canada Limited
Star Oil & Gas Ltd.
Summit Resources Limited
* Suncor Inc.
Tarragon Oil and Gas Limited
Telesis Oil and Gas
Texaco Canada Petroleum Inc.
Tintagel Energy Corporation
Total Petroleum (North America) Ltd.
Trical Resources Inc.
Trilogy Resource Corporation
Triton Canada Resources Ltd.
* Turbo Resources Limited

* Denotes companies included in group of 'Integrateds and Refiners'.
All other companies belong to the category of 'Oil and Gas Producers'

Ulster Petroleums Ltd.
Ultramar Canada Inc.
Ultramar Oil and Gas Canada Limited
Union Pacific Resources Inc.
United Tri-Star Resources Ltd.
Unocal Canada Limited
Voyager Energy Inc.
Wainoco Oil Corporation
Webb International Minerals Inc.
Wellore Energy Inc.
Westar Petroleum Ltd.
Westcoast Petroleum Ltd.
Western Decalta Petroleum (1977) Limited
Westmin Resources Limited
Wintershall Canada Ltd.